

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

<p>In re: City of Detroit, Michigan, Debtor.</p>	<p>Bankruptcy Case No. 13-53846 Judge Thomas J. Tucker Chapter 9</p>
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CITY OF DETROIT’S STATUS REPORT ON BANKRUPTCY CASE

On December 10, 2024, the Court entered its *Order Requiring the City to File a Further Status Report by June 9, 2025* (“Order,” Doc. No. 13929). The Order provided that the City of Detroit (“City”) must file a further status report by June 9, 2025, updating the December 9, 2024, status report (Doc. No. 13928), and “discussing whether this Chapter 9 bankruptcy case then should be closed, and if not, why not, and if not, when the City contends that the case will be ready to be closed.” Order. The City files this Report in accordance with the Order, respectfully stating as follows.

I. INTRODUCTION

The bankruptcy case may be closed when case administration is complete, subject to the retained jurisdiction of the Court over the case for as long as necessary for the successful implementation of the Plan. 11 U.S.C. § 945. The City believes this case is nearly—but not quite—complete. The City still must distribute New B



Notes¹ to the Holders of Allowed Class 14 Other Unsecured Claims before case administration can be considered complete. On May 20, 2022, the Court entered an order approving the first and final distribution to Holders of Allowed Class 14 Other Unsecured Claims (“Distribution Order”) [Doc. No. 13570]. The Distribution was delayed for some years by matters filed by Richard Wershe, Jr., which matters are described in greater detail below. These matters were resolved this past January. The City thus has filed its *Revised Notice of First and Final Distribution and Distribution Date* [Doc. No. 13964] (“Distribution Notice”).² The Distribution Notice states that the City expects to distribute New B Notes to Class 14 Creditors on or about June 30, 2025. Additionally, in preparation for winding down this bankruptcy case, the City reviewed its Class 15 Claim list and determined that there are Class 15 Claims that remain unpaid and thus the City has taken steps to resolve these claims as well.

Further, as detailed below, the City expects it may need to file a motion to enforce its Plan respect to the Plan’s ASF Recoupment provisions.

¹ Terms that are capitalized but not defined in this Report have the meanings ascribed to them in the City’s *Eighth Amended Plan for the Adjustment of Debts of the City of Detroit* (“Plan of Adjustment”), as filed as Docket Number 8045 and confirmed with minor modifications by this Court’s order filed at Docket Number 8272.

² The City filed this notice on June 5, 2025 [Doc. No. 13962] but withdrew it [Doc. No. 13963] when the City determined there was a minor discrepancy in that notice.

Thus, rather than close this bankruptcy case, the City instead asks that the Court require that the City file a status report in six months so that the Court can evaluate the status of the case at that time. Assuming there are no unanticipated issues with the Class 14 Distribution of New B Notes, the City anticipates that the bankruptcy case likely can be closed shortly after that status report is filed.

The City is available and willing to address any questions the Court may have regarding this Report or the continuing administration of this case.

II. BACKGROUND

A. The Class 14 New B Note Distribution Process

1. On September 17, 2019, the City filed the *City of Detroit's Motion to Implement Distributions of B Notes to Holders of Allowed Class 14 Claims Under the City's Confirmed Plan of Adjustment* [Doc. No. 13126] ("Brokerage Motion") to establish procedures for the *pro rata* distribution of New B Notes to Holders of Allowed Class 14 Claims.

2. The Court approved the Brokerage Motion, entering its *Order Granting the City of Detroit's Motion to Implement Distributions of B Notes to Holders of Allowed Class 14 Claims Under the City's Confirmed Plan of Adjustment* [Doc. No. 13173] ("Brokerage Order"). The Brokerage Order approved certain forms and required Claimholders to return these forms properly filled out in order to participate in Distributions on claims against the City. Brokerage Order, ¶¶ 2, 6.

3. On November 24, 2021, the City filed its *Motion to Establish Procedures for Distribution of New B Notes to Holders of Allowed Class 14 Claims Under the City's Plan of Adjustment* [Doc. No. 13476] ("Procedures Motion"). The Procedures Motion was filed to establish procedures if a distribution to a Claimholder failed. On December 22, 2021, this Court entered an order granting the Procedures Motion. [Doc. No. 13488.]

4. On March 16, 2022, the City filed its *Motion for an Order (A) Approving First and Final Distribution of New B Notes to Holders of Allowed Class 14 Claims Under the City's Plan of Adjustment and (B) Granting Other Related Relief* [Doc. No. 13521] ("Distribution Motion"). The Distribution Motion provided "interested parties the opportunity to review the planned Distribution and to timely raise any concerns they may have or be permanently and forever barred, estopped, and enjoined from raising any objection to the proposed first and final Distribution or asserting any Class 14 Claim against the City or any of its property." Distribution Motion, p. 3. The Distribution Motion included, as Exhibit 6-B, a list of all Holders of Allowed Class 14 Claims whom the City believed were entitled to receive a distribution under the Plan.

5. The City received informal objections to the Distribution Motion, which resulted in a few Claims being added to Exhibit 6-B. A revised Exhibit 6-B, reflecting these changes, was attached to the City's certification to the Court that no

timely formal objections were received to the Distribution Motion and that all informal objections had been resolved. [Doc. No. 13568.]

6. The Court approved the Distribution Motion by entering the Distribution Order. In the Distribution Order, the Court found that the revised Exhibit 6-B contains a complete and exhaustive list of Allowed Class 14 Claims and that only claims on the revised Exhibit 6-B will receive Distributions under Class 14 of the Plan. Distribution Order, ¶ 2. The Distribution Order further states that “no other alleged Holder of a Class 14 Claim will be entitled to a Distribution under the Plan, and each such other alleged Holder of a Class 14 Claim will be permanently estopped, barred, and enjoined from seeking a Distribution or any other relief from the City or any of its property.” *Id.*, ¶ 8.

7. Since then, the City has entered into additional stipulations, each approved by order of this Court, with each effecting minor adjustments to the planned distribution. [Doc. Nos. 13621, 13622, 13650, 13654.]

8. The City has also responded, and continues to respond, to questions from Holders who have asserted that the brokerage accounts initially indicated on their Brokerage Account Forms had closed due to inactivity.

9. As discussed below, the Wershe Cases and Wershe Filings (defined below) were fully and finally resolved this past January. Accordingly, the City has filed the Distribution Notice to alert Class 14 Claims holders to expect the

distribution of New B Notes to the brokerage accounts they previously designated. The City has arranged for service of the Distribution Notice through its claims agent, which will file a certificate of service upon completion.

B. Class 15 Claims

10. Additionally, in conducting due diligence in order to wind down this bankruptcy case, the City uncovered that, although it had paid 218 Class 15 Claims, 55 Class 15 Claims still remain unpaid, in the total amount of \$79,622.75.

11. Accordingly, the City has engaged with its claims agent to arrange for payment of these claims. The City believes that its claims agent has already sent out letters to claimants to gather the tax information necessary to pay these claims.

12. In the next fourteen days, the City anticipates funding the claims agent with the \$79,622.75 required to complete all remaining payments to this class of claims.

C. Motions that the City Intends to File in the Near Future

13. The City expects that it may need to file two motions in the near future.

14. First, on or around March 18, 2025, Lorenzo Rippey ("Rippey") filed a complaint in the Circuit Court for the County of Wayne, Michigan against the City, the General Retirement System for the City of Detroit, and the Board of Trustees for the General Retirement System, commencing case number 25-003999-CZ (the "Lawsuit").

15. The Lawsuit seeks a preliminary injunction against the Defendants to prevent the GRS from withholding ASF Recoupment³ payments from Rippy's pension.

16. The City believes that withholding ASF Recoupment from pension payments is a mandatory part of its Plan. The City is discussing the matter with Rippy's counsel in an attempt to resolve the Lawsuit. If the City is unsuccessful, it expects to file a motion with this Court to set forth the issue in more detail and seek appropriate relief through enforcement of the City's Plan.

17. Second, in addition to the possible Plan enforcement motion, the City expects to file a motion with this Court to alter the procedures approved by the Procedures Motion. The City will seek additional flexibility to work with Class 14 Creditors whose initial distributions were unsuccessful with the goal of ensuring that as many Class 14 Creditors as possible receive the bonds to which they are entitled. The City anticipates filing this motion within approximately a month.

D. Matters Resolved Since Last Report

1. Motion to Enforce Against Richard Wershe and Richard Wershe's Motion to File a Late Claim

18. On July 20, 2021, more than seven years after the bar date, Richard Wershe Jr. filed case number 4:21-cv-11686-FKB-KGA ("City Wershe Case")

³ This term is defined in the Plan.

against the City in the District Court for the Eastern District of Michigan (“District Court”), seeking monetary damages on account of events he alleged occurred a decade or more before the City filed for bankruptcy. Wershe also filed case number 4:22-cv-12596-FKB-KGA against the United States (“US Wershe Case,” and with the City Wershe Case, the “Wershe Cases”) in the District Court.

19. On January 4, 2022, the City filed its *Motion for the Entry of an Order Enforcing the Bar Date Order and Confirmation Order Against Richard Wershe Jr.* [Doc. No. 13491] (“Wershe Motion to Enforce”).

20. On May 9, 2022, Wershe filed *Richard Wershe, Jr’s Motion for Entry of Notice of Claim After Bar Date* [Doc. No. 13560] (“Motion to File Late Claim,” and with the Wershe Motion to Enforce, the “Wershe Filings”), seeking leave to file a \$100 million unsecured claim against the City over eight years after the bar date.

21. The City and Mr. Wershe filed additional related papers as directed by the Court. [Doc. Nos. 13572, 13643, 13655.]

22. On September 18, 2023, the District Court dismissed both Wershe Cases. Mr. Wershe promptly appealed (the “Wershe Appeal”).

23. Shortly thereafter, this Court entered an order permitting the City and Wershe to file briefs discussing what effect dismissal of the Wershe Cases should have on the Wershe Filings. [Doc. No. 13742.] The City and Wershe filed the permitted briefs. [Doc. Nos. 13756, 13791.]

24. On April 19, 2024, the Court issued two opinions and two orders. In the first opinion, the Court found that the District Court's dismissal of the Wershe Cases conclusively determined that Mr. Wershe had no claim against the City. [Doc. No. 13900.] Collateral estoppel thus prevented Mr. Wershe from filing a claim in the City's bankruptcy case, mandating denial of the Motion to File Late Claim. *Id.* The Court's order was consistent with that opinion. [Doc. No. 13901.]

25. In the second opinion, the Court noted that the Wershe Motion to Enforce was partly, but not entirely, mooted by the District Court's actions. [Doc. No. 13902.] The Court found that it would be more practical to wait for the Sixth Circuit to determine the merits of the Wershe Appeal than to require Mr. Wershe to dismiss it. *Id.* The Court thus denied the Wershe Motion to Enforce as well. The Court's order was consistent with that opinion. [Doc. No. 13903.]

26. In both opinions, the Court noted if the Wershe Appeal should be successful in whole or part, then the parties may resume litigation as to whether Mr. Wershe should be permitted to file a claim. If, however, the Sixth Circuit were to affirm the District Court in the Wershe Appeal, then the matter would be conclusively resolved.

27. On August 8, 2024, the Sixth Circuit issued an opinion affirming the District Court and resolving the Wershe Appeal. Sixth Circuit Case Nos. 23-1902, 23-1903.

28. On November 6, 2024, Mr. Wershe filed a petition for certiorari with the United States Supreme Court, which petition was docketed on November 14, 2024, as Case No. 24-545. On December 31, 2024, the petition was distributed for conference to the Justices, and on January 21, 2025, the petition was denied.

29. As a result, the Wershe Filings have been fully and finally resolved, allowing the Distribution to Class 14 Creditors to proceed.

2. Motion to Modify Plan

30. On January 7, 2025, the City filed the *City of Detroit's Motion for Authority to Modify the Confirmed Plan of Adjustment with Respect to Certain Modifications to the Combined Plan for the Police and Fire Retirement System of the City of Detroit* (Doc. No. 13930, "Police and Fire Motion") to make minor revisions to the pension programs for Public Safety Union⁴ members.

31. One objection was received. [Doc. No. 13932.] The Court thus scheduled a hearing on the Police and Fire Motion, which hearing was adjourned to April 2, 2025. [Doc. Nos. 13934, 13943.]

32. The City filed a reply in support of its Police and Fire Motion. [Doc. No. 13942.]

33. On April 2, 2025, following the hearing, the Court entered an order granting the Police and Fire Motion. [Doc. No. 13947.]

⁴ Term is defined on page one of the Police and Fire Motion.

3. Motion for One-Time Payment to Retirees

34. On February 14, 2025, the City filed the *City of Detroit's Motion for Authority to Modify the Confirmed Plan of Adjustment with Respect to the Combined Plans for the Police and Fire Retirement System and the General Retirement System of the City of Detroit to Permit a Supplemental One-Time Payment to Retirees* (Doc. No. 13933, "Retiree Motion"). The Retiree Motion sought authority to make a one-time payment of \$10 million, \$5 million to each retirement system noted above, for distribution to City retirees.

35. No objections were filed to the Retiree Motion and thus the Court entered an order granting it. [Doc. Nos. 13940, 13941.]

III. THIS CASE HAS NOT BEEN "FULLY ADMINISTERED"

36. In the City's confirmed Plan of Adjustment, the Court retained jurisdiction to "[e]nter a final decree closing the Chapter 9 Case pursuant to section 945(b) of the Bankruptcy Code[.]" Plan, Art. VII.P (Doc. No. 8045, p. 78 of 82; Doc. No 8272, p. 211 of 225).

37. Section 945(b) states that "Except as provided in subsection (a) of this section, the court shall close the case when administration of the case has been completed." 11 U.S.C. § 945(b). Subsection (a) states that a bankruptcy court may retain jurisdiction for whatever time is necessary for successful plan implementation. 11 U.S.C. § 945(a).

38. The Bankruptcy Code does not explain when administration of a chapter 9 case is complete and, to the City's knowledge, only one reported decision has addressed the question. *In re Lake Lotawana Cmty. Improvement Dist.*, Case No. 10-44629-can9; 2017 WL 1968282 (Bankr. W.D. Mo. May 11, 2017).

39. The *Lake Lotawana Community Improvement District* court noted that neither the Bankruptcy Code nor the Bankruptcy Rules offer guidance as to when a chapter 9 case has been administered. *Id.* at *2. The court then observed

Returning to § 945(b) then, cannons of statutory construction require that when Congress does not define a term, courts must give it its ordinary meaning. *Taniguchi v. Kan Pac. Saipan, Ltd.*, 566 U.S. 560, 566 (2012). Black's Law Dictionary defines "administration" as the "judicial action in which a court undertakes the management and distribution of property." Black's Law Dictionary 49 (9th ed. 2009).

Id. at *3.

40. Thus, the court determined that a case is administered when there is no longer anything for the court to manage in the case. *Id.*

41. In this case, New B Notes must be distributed to Class 14 Claim Holders. A few Class 15 Claims must also be paid. And finally, the City likely will need to file a motion to enforce its Plan, as noted previously. These remaining tasks prevent the City's bankruptcy case from being closed at this time.

IV. CONCLUSION

42. For the reasons described above, the City respectfully asks that the Court not close this bankruptcy case at this time. Instead, the City requests that the Court require the City to file another status report in six months so that the City and this Court can reevaluate the status of the case then. The City is available and willing to address any questions the Court may have regarding this Report or the continuing administration of this case.

Dated: June 9, 2025

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

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

In re:

City of Detroit, Michigan,
Debtor.

Bankruptcy Case No. 13-53846

Judge Thomas J. Tucker

Chapter 9

CERTIFICATE OF SERVICE

I hereby certify that on June 9, 2025, I electronically filed the *City of Detroit's Status Report on Bankruptcy Case* with the Clerk of the Court via the Court's ECF electronic filing system which will serve notice to all ECF participants.

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Dated: June 9, 2025