

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

In re:

CITY OF DETROIT, MICHIGAN

Debtor.

Chapter 9

Case No. 13-53846

Hon. Steven W. Rhodes

**JOINDER OF ASSURED GUARANTY MUNICIPAL CORP. IN
MOTION TO EXTEND THE DISCLOSURE STATEMENT
APPROVAL SCHEDULE [DKT. NO. 3317]**

Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance Inc. (“Assured”), a creditor and party in interest in the chapter 9 case of the City of Detroit, Michigan (the “City”),¹ hereby joins in the *Ex Parte* Emergency Motion to Extend Disclosure Statement Approval Schedule filed by Syncora Guarantee Inc. and Syncora Capital Assurance Inc. [Docket No. 3317] (the “Motion”). While the Motion discusses the prejudice to creditors resulting from the current schedule in the abstract, now that the City has filed its amended

¹ Assured is a monoline insurer that provides financial guarantees to the U.S. public finance market. Assured and its affiliates insure or reinsure approximately \$2.24 billion in gross aggregate principal amount of outstanding bonds issued by the City, including water supply system bonds, sewage disposal system bonds, and unlimited tax general obligation bonds.



disclosure statement and plan, in this submission, Assured sets forth some specific material changes to the Disclosure Statement that the City made in its filing last evening that will require new and substantial analysis. Assured supports the arguments set forth in the Motion, and respectfully submits as follows:

1. On February 21, 2014, the City filed, among other things, the Plan [Docket No. 2708] and a Disclosure Statement [Docket No. 2709].² That Disclosure Statement, however, contained insufficient disclosure with respect to many of the assumptions upon which the Plan was based, as well as other inadequacies that are described in the Motion.

2. On March 14, 2014, Assured sent a detailed letter to the City identifying more than 140 categories of information that were missing from the Disclosure Statement. *See* March 14, 2014 Letter from Assured to the City, attached hereto as Exhibit A. Instead of providing the information requested by Assured, the City responded by letter dated March 28, 2014 and stated that it intended to file an amended disclosure statement. *See* March 28, 2014 Letter from the City to Assured, attached hereto as Exhibit B. More specifically, with respect to many of Assured's requests for information, the City stated that it "intends to

² Capitalized terms used but not defined have the meaning ascribed to them in the Motion.

make extensive supplemental disclosures with respect to DWSD and related matters in the amended Plan and Disclosure Statement and in the Plan Supplement.” *Id.* at pp. 8. In response to other requests for information, the City stated that it intends to revise the Disclosure Statement to include additional information. *See generally*, Exhibit B. Further, the City claimed that it intended to upload additional information to the data room established by the City for use by the parties in interest in this chapter 9 case. *Id.* at 1. However, the City did not provide any of the substantive information that was requested by Assured in the March 14, 2014 letter, making Assured wait for an amended disclosure statement for responses to its inquiries until last night, two days before objections are due.

3. On the evening of March 31, 2014, the City filed its amended disclosure statement [Docket No. 3382] (the “Amended Disclosure Statement”). This filing included an Amended Plan of Adjustment [Docket No. 3382-1] (the “Amended Plan”). With exhibits, the Amended Disclosure Statement and Amended Plan of Adjustment are over 600 pages long.

4. According to the Court’s March 27, 2014 order granting the City’s *ex parte* motion [Docket No. 3237], the deadline for parties in interest to file objections to the disclosure statement was set for April 3, 2014. This timing allows Assured only two days to digest the Amended Disclosure Statement and form and file its objections. It is simply unreasonable to expect that parties in

interest can properly evaluate the extensive changes made to the Amended Disclosure Statement in this timeframe. Furthermore, this timeframe is miniscule as compared to the 28 days that Assured is entitled to under Federal Rule of Bankruptcy Procedure 2002(b).

5. Indeed, the Amended Disclosure Statement contains major changes. According to the redline showing changes made to the Amended Disclosure Statement [Docket No. 3384] there were 4,314 changes made to the document. These changes represent substantive and material alterations that essentially require Assured to treat the Amended Disclosure Statement as if it is an *entirely new and different document* from the original Disclosure Statement. Some of the material changes made to the document that obviously require new and substantial analysis include:

- The Amended Disclosure Statement significantly revises the discussion of the DWSD bonds insured by Assured; the revisions substantially change disclosures related to possible transactions, including the GLWA transaction.
- There are new Rate Reset Charts covering 337 disparate CUSIPs of DWSD bonds, but there is no mark-up showing changes to the rates specified in the charts, so a manual review must be done for each CUSIP to determine the changes.

- There is a new “deathtrap” proposed for holders of Claims in Class 1A-1D.
- The default treatment for DWSD Revolving Sewer and Water Bond Claims has changed.
- Treatment of all classes of Pension Claims has been completely revised (including the creation of an entirely new Class 12 for OPEB Claims), and the effect of this wholesale revision on other classes or creditors is unclear and requires substantial analysis.
- Class 5–COP Swap treatment is specified for the first time.
- The recoveries for all unsecured or purportedly unsecured creditors except pension claimants have decreased.
- The new C Notes described in the original Disclosure Statement have been removed.
- Additional information regarding the possible DWSD transaction has been added.

There were also substantial changes to the exhibits to the Amended Disclosure Statement and Amended Plan. Changes made to the exhibits to the Amended Disclosure Statement that need to be determined and analyzed include:

- The exhibits are 32 pages longer, jumping from 172 pages to 204 pages.
- New Exhibits K (DWSD Current and Historical Financial Information) and L (DWSD Financial Projections), which total 32 pages, have been added.

- No markup was provided for Exhibits I and J, which total 156 pages, so a manual review of the figures must be done to determine if there are changes.

Changes made to the exhibits to the Amended Plan include:

- The exhibits are 114 pages longer, jumping from 58 pages to 172 pages.
- 8 new exhibits were added,³ 2 missing exhibits were provided, and 15 exhibits were removed.
- 19 exhibits are still missing.

These additions and deletions represent significant and material alterations to the Disclosure Statement, and they require careful analysis. From the descriptions above, it is clear that Assured cannot simply plug in new numbers or make minor adjustments to account for the changes in the Amended Disclosure Statement and Amended Plan. In particular, the major revisions made to the DWSD transactions and to the treatment of the pension claims are not simple or clear, and these matters go to the core of Assured's interests in this case.

³ Of the 8 exhibits that were added, 3 exhibits are blank, including Exhibit I.A.148.a (Form of GRS Hybrid Pension Plan), Exhibit I.A.202.a (Form of PFRS Hybrid Pension Plan), and Exhibit I.A.255 (State Contribution Agreement), and 5 exhibits contain new information, including , Exhibit I.A.79 (Principal Terms of DIA Settlement), Exhibit I.A.148.b (Principal Terms of GRS Hybrid Pension Plan), Exhibit I.A.151 (Form of GRS Trust Agreement), Exhibit I.A.202.b (Principal Terms of PFRS Hybrid Pension Plan), and Exhibit I.A.205 (Form of PFRS Trust Agreement).

6. Given the magnitude of the changes in the Amended Disclosure Statement and the Amended Plan, and the City's failure to disclose information in response to Assured's March 14, 2014 letter earlier, two full days is simply insufficient to protect Assured's due process rights. As a reasonable compromise, Assured seeks two weeks to consider the Amended Disclosure Statement and file any objections, which is half the amount of time envisioned by Federal Rule of Bankruptcy Procedure 2002(b). This is the same relief as requested in the Motion.

WHEREFORE, Assured joins in the relief requested in the Motion and/or such other and further relief as the Court may deem just and proper.

Dated: April 1, 2014
New York, New York

CHADBOURNE & PARKE LLP

By: /s/ Lawrence A. Larose
Lawrence A. Larose
Samuel S. Kohn
Eric Daucher
30 Rockefeller Plaza
New York, NY 10012
Telephone: (212) 408-5100
llarose@chadbourne.com
skohn@chadbourne.com
edaucher@chadbourne.com

*Attorneys for Assured Guaranty
Municipal Corp.*

EXHIBIT A

CHADBOURNE
& PARKE LLP

Lawrence A. Larose
direct tel +1 212 408 1140
llarose@chadbourne.com

March 14, 2014

Bruce Bennett
Jones Day
555 South Flower Street
Fiftieth Floor
Los Angeles, CA 90071-2300

Re: In re City of Detroit, Michigan, No. 13-53846 (Bankr. E.D. Mich.), Request
for Additional Information in Disclosure Statement

Dear Bruce:

I write to you on behalf of my client, Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance Inc. ("Assured"), a creditor and party in interest in the chapter 9 case of your client, the City of Detroit, Michigan (the "City"). As you are aware, Assured is a monoline insurer that provides financial guarantees to the U.S. public finance market. Assured and its affiliates insure or reinsure approximately \$2.24 billion in gross aggregate principal amount of outstanding bonds issued by the City, including water supply system bonds, sewage disposal system bonds, and unlimited tax general obligation bonds. This letter is sent in compliance with the Bankruptcy Court's Second Amended Order Establishing Procedures, Deadlines and Hearing Dates Relating to the Debtor's Plan of Adjustment [Docket No. 2937], which requires parties, including Assured, to make a good faith effort to advise counsel for the City in writing of any request to include additional information in the City's disclosure statement (the "Disclosure Statement").¹ Below please find a list of additional information, organized by topic, that Assured requests the City provide in an amended Disclosure Statement, without prejudice to Assured's right to object to the Disclosure Statement or Plan on other grounds.

¹ Capitalized terms used but not defined herein have the meaning given to them in the Plan for the Adjustment of Debts of the City of Detroit (February 21, 2014) (Docket No. 2708) (the "Plan").

I. Additional Information Related to DWSD Claims

Assured insures several series of Detroit Water and Sewer Department (the “DWSD”) Water and Sewer Bonds (collectively, the “DWSD Bonds”). Claims against the City arising from the DWSD Bonds have been classified in Classes 1A, 1B, 1C, and 1D under the Plan. Assured requests the following additional information related to these claims.

- A. The Disclosure Statement provides that the replacement bonds to be provided to holders of DWSD Bonds under the Plan will have their interest rate calculated by reference to the Interest Rate Reset chart attached as Exhibit I.A.150 to the Plan. See Disclosure Statement, at 94, 96. As noted below, the Interest Rate Reset chart is incomplete insofar as it fails to include data related to the proposed treatment of the DWSD Revolving Bonds. Additionally, Assured requests an explanation of the Interest Rate Reset Chart, including, but not limited to the following:
 1. the methodology for creating the senior curve provided in the chart;
 2. a clear statement regarding which column reflects the new interest rate that would be applicable to each specific affected CUSIP;
 3. comparable credits that substantiate rates reflected in chart; and
 4. any expert reports prepared in the creation of the Interest Rate Reset Chart.
- B. The Disclosure Statement discusses a potential DWSD Transaction. See Disclosure Statement, at 96. Assured requests the details of all potential DWSD Transactions that are being, have been, or may be, considered by the City, including, but not limited to, the following details:
 1. the potential operations and maintenance expenses of the GLWA, including the potential lease payments that the GLWA would be required to pay to the City;
 2. the projected revenues and expenses of the GLWA in the event the transaction is consummated;
 3. the projected revenues and expenses of the DWSD in the event the transaction is not consummated;
 4. the assets to be transferred as part of the transactions and
 5. all material risks related to any potential DWSD Transaction.

- C. The Disclosure Statement references a PILOT payment payable to the City's General Fund in a discussion of a "Transfer of Assets" under the terms of the New Existing Rate DWSD Bonds. See Disclosure Statement, at 95. Assured requests a definition and explanation regarding this proposed PILOT payment, which is not discussed anywhere else in the Disclosure Statement.
- D. The Disclosure Statement provides that new bonds issued under the Plan "otherwise shall have the same terms and conditions as the applicable DWSD Series of DWSD Bonds." Disclosure Statement, at 96-97. Assured requests confirmation that covenants associated with the applicable series of DWSD Bonds, including System rate covenants, will be retained unchanged.
- E. The Disclosure Statement provides that "the DWSD will accelerate, or prefund, the majority of its full allocable share of the GRS UAAL such that, after the initial 10 year period through June 30, 2023, is completed and the unused DIA Settlement and State settlement moneys are received by the GRS, DWSD will have very small contributions, if any, to make to the GRS." Disclosure Statement at 6. Additionally, the Disclosure Statement provides that the exclusive sources for contributions to the GRS through June 30, 2023 include pension- related payments received by the City from the DWSD equal to approximately \$675,000,000. Assured requests the following information related to the DWSD's contributions to GRS:
 - 1. the current schedule of payments of DWSD contributions to the GRS through June 30, 2023;
 - 2. the current source of funding for payment of DWSD contributions to the GRS through June 30, 2023;
 - 3. the current priority of payment of DWSD contributions to the GRS through June 30, 2023 with respect to other DWSD obligations, including the DWSD Bonds;
 - 4. the authority for the Plan to require that DWSD prefund the majority of its allocable share of GRS UAAL over an accelerated 10 year period;
 - 5. the proposed schedule of payments of DWSD contributions to the GRS through June 30, 2023 under the Plan;
 - 6. the proposed source of funding for payment of DWSD contributions to the GRS through June 30, 2023 under the Plan;

7. the proposed priority of payment of DWSD contributions to the GRS through June 30, 2023 with respect to other DWSD obligations, including the DWSD Bonds;
 8. support for the amount of pension-related payments owed by the DWSD to the City through June 30, 2023.
 9. the extent to which the City and each of its other departments, agencies and enterprise funds will be required/permitted to prefund, eliminate or reduce pension contributions through June 30, 2023; and
 10. whether, and if so how, the City intends to ensure that the prefunding through June 30, 2023 will remain attributable only to the DWSD allocable share of GRS UAAL.
- F. The Disclosure Statement acknowledges that holders of new securities may encounter “limited market acceptance of City credit . . .” Disclosure Statement, at 125. Assured requests additional information regarding whether the City has analyzed or modeled the anticipated market reaction to insured vs. uninsured debt issuances, and the results of such analysis.
- G. The Disclosure Statement provides limited information regarding the tax exempt status of interest payments on replacement bonds issued to DWSD bondholders. See Disclosure Statement, at 128. Assured requests additional information regarding the tax exempt status of interest payments on replacement bonds issued to DWSD Bondholders.
- H. Emergency Manager Order No. 22 issued by Emergency Manager Kevyn Orr on January 30, 2014 provides, in relevant part, that the City intends to issue New Sewage Disposal System Revenue Bonds (the “New DWSD Issuance”) in a principal amount not to exceed \$350,000,000 on a first priority basis, *pari passu* with the existing first lien bonds secured by the net revenues of the DWSD sewer system. The Disclosure Statement does not provide any information regarding the New DWSD Issuance. Assured requests additional information regarding the New DWSD Issuance, including, but not limited to, the following:
1. the material terms of the New DWSD Issuance;
 2. the “call protection” that the New DWSD Issuance may have;
 3. the priority of payment of the New DWSD Issuance; and

4. the effect on the financial projections that the City has provided, based on the issuance (or non-issuance) of these New DWSD Issuance.
- I. The Disclosure Statement and Plan reference Exhibit I.A.165 – Form of New DWSD Bond Documents, Exhibit I.A.169 – Form of New Existing Rate DWSD Bond Documents, Exhibit I.A.171 – Form of New Existing Rate GLWA Bond Documents, and Exhibit I.A.173 – Form of New GLWA Bond Documents, none of which have been provided. Assured requests that these exhibits be provided.
- J. The Disclosure Statement does not provide the historical financials for the DWSD. Assured requests that the audited ten-year historical financials for the DWSD be provided including, but not limited to, the following:
 1. the balance of the Operation and Maintenance Fund;
 2. the source and amount of all credits to the Operation and Maintenance Fund including, but not limited to:
 - a. the amount and a description of each of the expenses of administration and operation of the DWSD, and
 - b. whether pension payments were included as an expense of administration and operation of the System and, if so, the amount of such pension payments;
 3. the recipient and amount of all debits to the Operation and Maintenance Fund;
 4. the balance of the Sewage Disposal System Receiving Fund;
 5. the source and amount of all credits to the Sewage Disposal System Receiving Fund;
 6. the recipient and amount of all debits to the Sewage Disposal System Receiving Fund;
 7. Receiving Fund;
 8. the balance of the Water Supply System Receiving Fund;
 9. the source and amount of all credits to the Water Supply System Receiving Fund;

10. the recipient and amount of all debits to the Water Supply System Receiving Fund;
11. the balance of the Senior Lien Debt Service Account;
12. the source and amount of all credits to the Senior Lien Debt Service Account;
13. the recipient and amount of all debits to the Senior Lien Debt Service Account;
14. the balance of the Senior Lien Debt Reserve Account;
15. the source and amount of all credits to the Senior Lien Debt Reserve Account;
16. the recipient and amount of all debits to the Senior Lien Debt Reserve Account;
17. the balance of the Second Lien Debt Service Account;
18. the source and amount of all credits to the Second Lien Debt Service Account;
19. the recipient and amount of all debits to the Second Lien Debt Service Account;
20. the balance of the Second Lien Debt Reserve Account;
21. the source and amount of all credits to the Second Lien Debt Reserve Account;
22. the recipient and amount of all debits to the Second Lien Debt Reserve Account;
23. the balance of the SRF Junior Lien Debt Service Account;
24. the source and amount of all credits to the SRF Junior Lien Debt Reserve Account;
25. the recipient and amount of all debits to the SRF Junior Lien Debt Reserve Account;

26. the balance of the Extraordinary Repair and Replacement Reserve Fund;
 27. the source and amount of all credits to the Extraordinary Repair and Replacement Reserve Fund;
 28. the recipient and amount of all debits to the Extraordinary Repair and Replacement Reserve Fund;
 29. the balance of the Improvement and Extension Fund;
 30. the source and amount of all credits to the Improvement and Extension Fund;
 31. the recipient and amount of all debits to the Improvement and Extension Fund;
 32. the balance of the Surplus Fund;
 33. the source and amount of all credits to the Surplus Fund; and
 34. the recipient and amount of all debits to the Surplus Fund;
- K. The Disclosure Statement does not provide projected financials for the DWSD. Assured requests that the projected financials for the DWSD be provided.
- L. The Disclosure Statement does not provide projected financials for the GLWA. Assured requests that the projected financials for the GLWA be provided.
- M. The Disclosure Statement does not provide information regarding the projected capital needs of the DWSD. Assured requests any and all information regarding the projected capital needs of the DWSD.
- N. On March 12, 2014, Emergency Manager Kevyn Orr announced that he is now considering selling or privatizing the DWSD in lieu of entering into a DWSD Transaction. Assured requests any and all information regarding any sale or privatization of the DWSD that is being, has been, or may be under consideration, including, but not limited to, the following:
1. the scope of the DWSD-related assets that may be transferred;
 2. the purchase price;
 3. all potential purchasers;

4. the status of any negotiations with potential purchasers;
5. a detailed discussion of the process and timing of any sale or privatization;
and
6. the treatment of existing liens if the DWSD were to be sold or privatized, including those liens giving rise to claims classified in the Plan as Classes 1A, 1B, 1C, 1D, 1E, or 1F.

II. Additional Information Related to UTGO Claims

Assured insures several series of unlimited tax general obligation bonds issued by the City (the "UTGO Bonds"). Claims against the City arising from the UTGO Bonds have been classified in Class 8 under the Plan. Assured requests the following additional information related to these claims.

- A. The Disclosure Statement provides that holders of UTGO Bonds will receive "Plan UTGO Notes." See Disclosure Statement, at 82. The terms of the Plan UTGO Notes, however, are not provided in either the Plan or the Disclosure Statement. Assured requests all information regarding the terms of the Plan UTGO Notes including, but not limited to, the following:
 1. a description of the obligation, including whether it would be a secured or unsecured obligation;
 2. the initial principal amount;
 3. the interest rate;
 4. the methodology for determining the interest rate;
 5. the maturity;
 6. the amortization schedule; and
 7. the form of the Plan UTGO Note.
- B. Assured requests additional information regarding the mills pledged to support the UTGO bond debt, most recently assessed at 9.6136 mills (the "UTGO Millage") including, but not limited to, the following:
 1. detailed information and analysis regarding the collection of the UTGO Millage including, but not limited to:

- a. historical ten-year UTGO Millage collection rates,
 - b. projected ten-year UTGO Millage collection rates,
 - c. historical ten-year balances of the Debt Retirement Fund,
 - d. the source and amount of all credits to the Debt Retirement Fund,
 - e. the recipient and amounts of all debits to the Debt Retirement Fund,
 - f. historical ten-year balances of the Bond Issuance Fund,
 - g. the source and amount of all credits to the Bond Issuance Fund,
 - h. the recipient and amount of all debits to the Bond Issuance Fund,
 - i. historical ten-year balances of the Escrow Fund,
 - j. the source and amount of all credits to the Escrow Fund,
 - k. the recipient and amount of all debits to the Escrow Fund,
 - l. historical ten-year balances of the Construction Fund,
 - m. the source and amount of all credits to the Construction Fund, and
 - n. the recipient and amount of all debits to the Construction Fund;
2. information regarding whether the UTGO Millage is being used to make set-asides on account of the secured general obligation bonds series 2010(A) and, if so, the authority for such use of the UTGO Millage and amount of all such set asides;
 3. the use of the UTGO Millage since the July 18, 2013; and
 4. projections as to the amount and collectability of the UTGO Millage for the next ten years.
- C. The Disclosure Statement states that the City may lose its ability to levy the UTGO millage if the UTGO Bonds are impaired in the plan. See Disclosure Statement, at 125. The Disclosure Statement also provides that “[i]n the event the City is precluded from levying [the UTGO Millage], it anticipates borrowing funds

sufficient to replace this lost revenue.” Assured requests additional information regarding the following:

1. the legal basis for continuing to impose the UTGO Millage in the absence of the voter-approved obligations for which the UTGO Millage was authorized; and
 2. the terms of any potential borrowing by the City to replace the revenues of the UTGO Millage as contemplated by the Disclosure Statement, including but not limited to:
 - a. the lender;
 - b. a description of the obligation, including whether it would be a secured or unsecured obligation;
 - c. the security;
 - d. the initial principal amount;
 - e. the interest rate;
 - f. the methodology for determining the interest rate;
 - g. the maturity; and
 - h. the amortization schedule.
- D. The Ten-Year Financial Projections, Exhibit J, to the Disclosure Statement, include base projections that “assume the City is able to continue to collect the UTGO Millage.” Disclosure Statement - Exhibit J, at 4. Exhibit J to the Disclosure Statement also includes a restructuring scenario in which there is a “reduction in millage to reflect treatment of UTGO as unsecured and corresponding reduction in property tax revenues.” Disclosure Statement – Exhibit J, at 5. Assured requests additional information and clarification regarding the following:
1. the restructuring scenario in which the City loses its ability to levy the UTGO Millage and is required to borrow “funds sufficient to replace” the UTGO Millage; and
 2. the restructuring scenario in which the City loses its ability to levy the UTGO Millage and is unable to obtain replacement financing.

- E. The Disclosure Statement acknowledges that holders of new securities may encounter “limited market acceptance of City credit” Disclosure Statement, at 125. Assured requests additional information regarding whether the City has analyzed or modeled the anticipated market reaction to insured vs. uninsured debt issuances, and the results of such analysis.
- F. The Disclosure Statement provides no information regarding whether the tax exempt status of UTGO Bonds will be retained for the Plan UTGO Notes. Assured requests additional information regarding whether the Plan UTGO Notes will be treated as tax exempt.
- G. The Disclosure Statement and Plan reference Exhibit I.A.206 – Principal Terms of Plan UTGO Notes and Exhibit I.A.207 – Form of Plan UTGO Note, neither of which has been provided. Assured requests that these exhibits be provided.
- H. Assured requests information regarding the potential effect of a finding in the UTGO Litigation that the UTGOs are secured obligations.
- I. Assured requests additional disclosure that recent audited financials show sufficient millage collection to pay the Unlimited Tax General Obligation Bond Claims in full, and complete explanation why such audited financials are incorrect.
- J. Assured requests the specific proposed uses of the balance of millage that would not be paid to the holders of Unlimited Tax General Obligation Bond Claims under the Plan.

III. Bond Insurer Claims

- A. Assured requests a description of the City’s proposed Plan treatment of Bond Insurer Claims. This description should include specific treatment for each category of claims asserted by the Bond Insurers, including but not limited to,
 - 1. claims for principal and interest due under the applicable bond documents, whether by subrogation, assignment or otherwise; and
 - 2. direct claims for contractual reimbursement of charges, fees, costs, losses, liabilities and expenses incurred by the Bond Insurers in connection with their respective insurance policies, reimbursement agreements and applicable bond documents.

IV. Voting Issues and Procedures

- A. Assured requests that a brief discussion of the voting procedures, including the voting dispute resolution procedures, be added to the Disclosure Statement.
- B. Assured requests that the Disclosure Statement be amended to clarify that both Insurers and Holders of securities giving rise to claims in Classes 1A, 1B, 1C, 1D, 1E, 7, 8, or 9 will receive ballots and be allowed to vote on the Plan.

V. Additional Information Requested

In addition, Assured requests the following information as a party in interest in this case.

- A. The Disclosure Statement provides that the replacement bonds provided to holders of DWSD Revolving Bonds will have their respective interest rates calculated by reference to the Interest Rate Reset Chart, attached as Exhibit I.A.150 to the Plan. See Disclosure Statement, at 95, 97. The Interest Rate Reset Chart, however, does not include any information regarding the replacement bonds that will be provided to holders of DWSD Revolving Bonds. Assured requests additional information regarding the interest rates to be provided to holders of DWSD Revolving Bonds.
- B. The Disclosure Statement provides that the City will enter into the DIA Settlement, the proceeds of which will be used to fund the City's pension contributions. See Disclosure Statement, at 98. The Disclosure Statement fails to provide the definitive documentation governing this DIA Settlement. Assured requests additional information regarding the terms of the DIA Settlement.
- C. The Disclosure Statement provides that a condition to the Foundations' participation in the DIA Settlement is "the affirmation by County authorities of certain existing funding obligations with respect to DIA Corp." Disclosure Statement, at 98. Assured requests further explanation as to the meaning of this statement, including a description of each "existing funding obligation" to be reaffirmed by the County.
- D. The Disclosure Statement provides that the DIA Funding Parties means the Foundations and DIA Corp. The Disclosure Statement does not disclose the identities of the Foundations. Assured requests that the Foundations be specifically identified.
- E. The Disclosure Statement provides that if Classes 10 and 11 accept the Plan, Holders of PFRS Claims that accept the Plan will have the option to enter into a

settlement with the City. See Disclosure Statement, at 84. The Disclosure Statement also provides that if Classes 10 and 11 accept the Plan, Holders of GRS Claims who accept the Plan will have the option to enter into a settlement with the City. See Disclosure Statement, at 85. Assured requests clarification as to whether both Classes 10 and 11 must accept the Plan before an accepting PFRS and GRS claimant may enter into a settlement with the City.

- F. The Disclosure Statement provides that the Estimated Percentage Recovery for Class 10 – PFRS Claims will be 20.8-29.8%. See Disclosure Statement, at 16. The Disclosure Statement also provides that PFRS Claim holders will receive a monthly pension equal to an estimated 90-94% of the amount currently being received. See Disclosure Statement, at 7. Assured requests detailed additional information explaining how the Estimated Percentage Recovery was calculated.
- G. The Disclosure Statement provides that the Estimated Percentage Recovery for Class 11 – GRS Claims will be 27.5-33.3%. See Disclosure Statement, at 17. The Disclosure Statement also provides that GRS Claim holders will receive a monthly pension equal to an estimated 66-74% of the amount currently being received. See Disclosure Statement, at 7. Assured requests detailed additional information explaining how the Estimated Percentage Recovery was calculated.
- H. The Disclosure Statement provides that if the GRS pension plans exceed an 80% funding level by June 30, 2023 there could be an improvement in the pensions at that time. See Disclosure Statement, at 8. Assured requests detailed additional information regarding the treatment of GRS Claims if the GRS pension plans are (or are projected to be) below an 80% funding level by, or at any time after, June 30, 2023.
- I. The Disclosure Statement discusses the establishment and funding of a Professional Fee Reserve. See Disclosure Statement, at 99. Assured requests additional information regarding this Professional Fee Reserve including, but not limited to, the following:
 - 1. the source of funding for the Professional Fee Reserve;
 - 2. the amount of the Professional Fee Reserve; and
 - 3. the potential effect, if any, of the consummation of a DWSD Transaction (or a sale of DWSD assets) on the Professional Fee Reserve.
- J. The Disclosure Statement discusses three requirements that may affect state revenue sharing. See Disclosure Statement, at 25. Assured requests additional

information as to whether the City has met these requirements and whether the City expects to do so in the future.

- K. Assured requests additional information explaining how the City derived its estimate of a 20% recovery for the holders of Limited Tax General Obligation Bonds. This information should include, but not be limited to,
1. a definition of the "certain incremental recurring gross specified tax receipts" from which the New C Notes will be paid;
 2. a detailed explanation of the adjustments to the Revenue Hurdle;
 3. an estimate of the aggregate allowed amount of the COP Claims (which will share in the New B Notes and the New C Notes if they become Allowed Claims), as well as the amount to be contributed to Disputed COP Claim Reserve (if different);
 4. the basis for the estimate of the aggregate allowed amount of the COP Claims and the amount of the Disputed COP Claim Reserve (if different);
 5. an estimate of the aggregate allowed amount of Other Unsecured Claims; and
 6. the basis for the estimate of the aggregate allowed amount of Other Unsecured Claims.

VI. Missing Documentation/Terms

- A. Assured requests the principal terms (unless already provided) and documentation for the following items:
1. The New DWSD Bond Documents;
 2. The New Existing Rate DWSD;
 3. The New DWSD Revolving Bond Documents;
 4. The New GLWA Bond Documents;
 5. The New GLWA Existing Rate Bond Documents;
 6. The New GLWA Revolving Bond Documents;

7. Plan UTGO Note;
8. Schedule of DIA Assets;
9. DIA Settlement Documents;
10. New B Notes Documents;
11. New B Notes Valuation;
12. New C Notes Documents;
13. Detroit VEBA Trust Agreement;
14. OPEB Claims Note;
15. GRS Hybrid Pension Formula;
16. Plan GRS Settlement Documents;
17. Schedule of Reductions to Allowed GRS Claims and Related Allowed OPEB Claims;
18. Schedule of Payments and Sources of Payments for Modified GRS Pension Benefits;
19. PFRS Hybrid Pension Formula;
20. Plan PFRS Settlement Documents;
21. Schedule of Reductions to Allowed PFRS Claims and Related Allowed OPEB Claims;
22. Schedule of Payments and Sources of Payments for Modified PFRS Pension Benefits;
23. Reduction Formula for Participants in Annuity Savings Fund Accounts;
24. Retiree Health Care Settlement Agreement;
25. Schedule of Postpetition Collective Bargaining Agreements;
26. Plan COP Settlement Documents;

March 14, 2014

27. Executory Contracts and Unexpired Leases to be Rejected, and

28. Retained Causes of Action.

Assured believes that the additional information requested herein is necessary to satisfying the City's burden that the disclosure statement contain "adequate information" pursuant to section 1125 of the Bankruptcy Code. Chadbourne & Parke LLP is available to discuss this request for additional information with the City's advisors.

Very truly yours,



Lawrence A. Larose

EXHIBIT B

March 28, 2014

258183-609021

VIA E-MAIL

Lawrence A. Larose
CHADBOURNE & PARKE LLP
30 Rockefeller Plaza
New York, NY 10112
llarose@chadbourne.com

Re: In re City of Detroit, Michigan, No. 13-53846 (Bankr. E.D. Mich.)
Requested Revisions to Disclosure Statement

Dear Mr. Larose,

The City of Detroit (the "City") acknowledges receipt of your letter (the "Disclosure Statement Comment") on behalf of Assured Guaranty Municipal Corp. ("Assured") requesting certain revisions to the Disclosure Statement with Respect to Plan for the Adjustment of Debts of the City of Detroit (Docket No. 2709) (as it may be amended or modified from time to time, the "Disclosure Statement"),¹ filed by the City in the above-referenced chapter 9 case on February 21, 2014.

Set forth below – and retaining any paragraph numbering used in the Disclosure Statement Comment – are (a) reproductions of each of Assured's requests for revisions or additions to the Disclosure Statement and (b) with respect to each such request, a response by the City in boldface type.

In the coming days, the City intends to file an amended form of (a) the Disclosure Statement and (b) the Plan for the Adjustment of Debts of the City of Detroit (as it may be amended or modified from time to time, the "Plan"). The City may make further additions to the Plan and Disclosure Statement as information becomes available. The City also intends to upload additional information to the data room established by the City for use by parties in interest in this chapter 9 case.

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<sup>1</sup> Capitalized terms not otherwise defined herein have the meanings given to them in the Disclosure Statement.

ATI-2598584v3

I. Additional Information Related to DWSD Claims

Assured insures several series of Detroit Water and Sewer Department (the "DWSD") Water and Sewer Bonds (collectively, the "DWSD Bonds"). Claims against the City arising from the DWSD Bonds have been classified in Classes 1A, 1B, 1C, and 1 D under the Plan. Assured requests the following additional information related to these claims.

- A. The Disclosure Statement provides that the replacement bonds to be provided to holders of DWSD Bonds under the Plan will have their interest rate calculated by reference to the Interest Rate Reset chart attached as Exhibit 1.A. 150 to the Plan. See Disclosure Statement, at 94, 96. As noted below, the Interest Rate Reset chart is incomplete insofar as it fails to include data related to the proposed treatment of the DWSD Revolving Bonds. Additionally, Assured requests an explanation of the Interest Rate Reset Chart, including, but not limited to the following:
1. the methodology for creating the senior curve provided in the chart;
  2. a clear statement regarding which column reflects the new interest rate that would be applicable to each specific affected CUSIP;
  3. comparable credits that substantiate rates reflected in chart; and
  4. any expert reports prepared in the creation of the Interest Rate Reset Chart.
- B. The Disclosure Statement discusses a potential DWSD Transaction. See Disclosure Statement, at 96. Assured requests the details of all potential DWSD Transactions that are being, have been, or may be, considered by the City, including, but not limited to, the following details:
1. the potential operations and maintenance expenses of the GLWA, including the potential lease payments that the GLWA would be required to pay to the City;
  2. the projected revenues and expenses of the GLWA in the event the transaction is consummated;
  3. the projected revenues and expenses of the DWSD in the event the transaction is not consummated;
  4. the assets to be transferred as part of the transactions; and
  5. all material risks related to any potential DWSD Transaction.

- C. The Disclosure Statement references a PILOT payment payable to the City's General Fund in a discussion of a "Transfer of Assets" under the terms of the New Existing Rate DWSD Bonds. See Disclosure Statement, at 95. Assured requests a definition and explanation regarding this proposed PILOT payment, which is not discussed anywhere else in the Disclosure Statement.
- D. The Disclosure Statement provides that new bonds issued under the Plan "otherwise shall have the same terms and conditions as the applicable DWSD Series of DWSD Bonds." Disclosure Statement, at 96-97. Assured requests confirmation that covenants associated with the applicable series of DWSD Bonds, including System rate covenants, will be retained unchanged.
- E. The Disclosure Statement provides that "the DWSD will accelerate, or prefund, the majority of its full allocable share of the GRS UAAL such that, after the initial 10 year period through June 30, 2023, is completed and the unused DIA Settlement and State settlement moneys are received by the GRS, DWSD will have very small contributions, if any, to make to the GRS." Disclosure Statement, at 6. Additionally, the Disclosure Statement provides that the exclusive sources for contributions to the GRS through June 30, 2023 include pension-related payments received by the City from the DWSD equal to approximately \$675,000,000. Assured requests the following information related to the DWSD's contributions to GRS:
  - 1. the current schedule of payments of DWSD contributions to the GRS through June 30, 2023;
  - 2. the current source of funding for payment of DWSD contributions to the GRS through June 30, 2023;
  - 3. the current priority of payment of DWSD contributions to the GRS through June 30, 2023 with respect to other DWSD obligations, including the DWSD Bonds;
  - 4. the authority for the Plan to require that DWSD prefund the majority of its allocable share of GRS UAAL over an accelerated 10 year period;
  - 5. the proposed schedule of payments of DWSD contributions to the GRS through June 30, 2023 under the Plan;
  - 6. the proposed source of funding for payment of DWSD contributions to the GRS through June 30, 2023 under the Plan;

7. the proposed priority of payment of DWSD contributions to the GRS through June 30, 2023 with respect to other DWSD obligations, including the DWSD Bonds;
  8. support for the amount of pension-related payments owed by the DWSD to the City through June 30, 2023.
  9. the extent to which the City and each of its other departments, agencies and enterprise funds will be required/permitted to prefund, eliminate or reduce pension contributions through June 30, 2023; and
  10. whether, and if so how, the City intends to ensure that the prefunding through June 30, 2023 will remain attributable only to the DWSD allocable share of GRS UAAL.
- F. The Disclosure Statement acknowledges that holders of new securities may encounter "limited market acceptance of City credit ...." Disclosure Statement, at 125. Assured requests additional information regarding whether the City has analyzed or modeled the anticipated market reaction to insured vs. uninsured debt issuances, and the results of such analysis.
- G. The Disclosure Statement provides limited information regarding the tax exempt status of interest payments on replacement bonds issued to DWSD bondholders. See Disclosure Statement, at 128. Assured requests additional information regarding the tax exempt status of interest payments on replacement bonds issued to DWSD Bondholders.
- H. Emergency Manager Order No. 22 issued by Emergency Manager Kevyn Orr on January 30, 2014 provides, in relevant part, that the City intends to issue New Sewage Disposal System Revenue Bonds (the "New DWSD Issuance") in a principal amount not to exceed \$350,000,000 on a first priority basis, pari passu with the existing first lien bonds secured by the net revenues of the DWSD sewer system. The Disclosure Statement does not provide any information regarding the New DWSD Issuance. Assured requests additional information regarding the New DWSD Issuance, including, but not limited to, the following:
1. the material terms of the New DWSD Issuance;
  2. the "call protection" that the New DWSD Issuance may have;
  3. the priority of payment of the New DWSD Issuance; and
  4. the effect on the financial projections that the City has provided, based on the issuance (or non-issuance) of these New DWSD Issuance.

- I. The Disclosure Statement and Plan reference Exhibit I.A.165 – Form of New DWSD Bond Documents, Exhibit I.A.169 – Form of New Existing Rate DWSD Bond Documents, Exhibit I.A.171 – Form of New Existing Rate GLWA Bond Documents, and Exhibit I.A.173 – Form of New GLWA Bond Documents, none of which have been provided. Assured requests that these exhibits be provided.
- J. The Disclosure Statement does not provide the historical financials for the DWSD. Assured requests that the audited ten-year historical financials for the DWSD be provided including, but not limited to, the following:
  1. the balance of the Operation and Maintenance Fund;
  2. the source and amount of all credits to the Operation and Maintenance Fund including, but not limited to:
    - a. the amount and a description of each of the expenses of administration and operation of the DWSD, and
    - b. whether pension payments were included as an expense of administration and operation of the System and, if so, the amount of such pension payments;
  3. the recipient and amount of all debits to the Operation and Maintenance Fund;
  4. the balance of the Sewage Disposal System Receiving Fund;
  5. the source and amount of all credits to the Sewage Disposal System Receiving Fund;
  6. the recipient and amount of all debits to the Sewage Disposal System Receiving Fund;
  7. Receiving Fund;
  8. the balance of the Water Supply System Receiving Fund;
  9. the source and amount of all credits to the Water Supply System Receiving Fund;
  10. the recipient and amount of all debits to the Water Supply System Receiving Fund;
  11. the balance of the Senior Lien Debt Service Account;

12. the source and amount of all credits to the Senior Lien Debt Service Account;
13. the recipient and amount of all debits to the Senior Lien Debt Service Account;
14. the balance of the Senior Lien Debt Reserve Account;
15. the source and amount of all credits to the Senior Lien Debt Reserve Account;
16. the recipient and amount of all debits to the Senior Lien Debt Reserve Account;
17. the balance of the Second Lien Debt Service Account;
18. the source and amount of all credits to the Second Lien Debt Service Account;
19. the recipient and amount of all debits to the Second Lien Debt Service Account;
20. the balance of the Second Lien Debt Reserve Account;
21. the source and amount of all credits to the Second Lien Debt Reserve Account;
22. the recipient and amount of all debits to the Second Lien Debt Reserve Account;
23. the balance of the SRF Junior Lien Debt Service Account;
24. the source and amount of all credits to the SRF Junior Lien Debt Reserve Account;
25. the recipient and amount of all debits to the SRF Junior Lien Debt Reserve Account;
26. the balance of the Extraordinary Repair and Replacement Reserve Fund;
27. the source and amount of all credits to the Extraordinary Repair and Replacement Reserve Fund;

28. the recipient and amount of all debits to the Extraordinary Repair and Replacement Reserve Fund;
  29. the balance of the Improvement and Extension Fund;
  30. the source and amount of all credits to the Improvement and Extension Fund;
  31. the recipient and amount of all debits to the Improvement and Extension Fund;
  32. the balance of the Surplus Fund;
  33. the source and amount of all credits to the Surplus Fund; and
  34. the recipient and amount of all debits to the Surplus Fund;
- K. The Disclosure Statement does not provide projected financials for the DWSD. Assured requests that the projected financials for the DWSD be provided.
- L. The Disclosure Statement does not provide projected financials for the GLWA. Assured requests that the projected financials for the GLWA be provided.
- M. The Disclosure Statement does not provide information regarding the projected capital needs of the DWSD. Assured requests any and all information regarding the projected capital needs of the DWSD.
- N. On March 12, 2014, Emergency Manager Kevyn Orr announced that he is now considering selling or privatizing the DWSD in lieu of entering into a DWSD Transaction. Assured requests any and all information regarding any sale or privatization of the DWSD that is being, has been, or may be under consideration, including, but not limited to, the following:
1. the scope of the DWSD-related assets that may be transferred;
  2. the purchase price;
  3. all potential purchasers;
  4. the status of any negotiations with potential purchasers;
  5. a detailed discussion of the process and timing of any sale or privatization; and

6. the treatment of existing liens if the DWSD were to be sold or privatized, including those liens giving rise to claims classified in the Plan as Classes 1A, 1B, 1C, 1D, 1E, or 1F.

**With respect to the comments contained in paragraphs 1.A.1 through 1.N.6 of the Disclosure Statement Comment regarding DWSD:**

**The City intends to make extensive supplemental disclosures with respect to DWSD and related matters in the amended Plan and Disclosure Statement and in the Plan Supplement. These disclosures will include the following, among other additional disclosures addressing the subject matter of the above requests: (a) historical, current and projected future financial data; (b) information regarding current and proposed DWSD contributions to the Retirement Systems; (c) the taxable status and terms of any replacement bonds issued to DWSD bondholders; and (d) the alternative forms of DWSD Transaction being considered by the City, including, without limitation, the creation of the GLWA and one or more private transactions.**

**Notwithstanding the foregoing, the City expressly reserves its right to decline to accommodate or object to any request for additional information on any grounds whatsoever, including, without limitation, that (a) the Disclosure Statement already contains adequate information with respect to the matter within the meaning of section 1125 of the Bankruptcy Code, (b) the provision of the requested information is not necessary for the Disclosure Statement to provide adequate information on any matter relevant to the Plan and (c) the request is an improper attempt to seek discovery from the City with respect to the Plan.**

**II. Additional Information Related to UTGO Claims**

Assured insures several series of unlimited tax general obligation bonds issued by the City (the "UTGO Bonds"). Claims against the City arising from the UTGO Bonds have been classified in Class 8 under the Plan. Assured requests the following additional information related to these claims.

- A. The Disclosure Statement provides that holders of UTGO Bonds will receive "Plan UTGO Notes." See Disclosure Statement, at 82. The terms of the Plan UTGO Notes, however, are not provided in either the Plan or the Disclosure Statement. Assured requests all information regarding the terms of the Plan UTGO Notes including, but not limited to, the following:

1. a description of the obligation, including whether it would be a secured or unsecured obligation;

2. the initial principal amount;
3. the interest rate;
4. the methodology for determining the interest rate;
5. the maturity;
6. the amortization schedule; and
7. the form of the Plan UTGO Note.

**The City intends to file a summary of the terms and form of the Plan UTGO Notes with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

B. Assured requests additional information regarding the mills pledged to support the UTGO bond debt, most recently assessed at 9.6136 mills (the "UTGO Millage") including, but not limited to, the following:

1. detailed information and analysis regarding the collection of the UTGO Millage including, but not limited to:
  - a. historical ten-year UTGO Millage collection rates,
  - b. projected ten-year UTGO Millage collection rates,
  - c. historical ten-year balances of the Debt Retirement Fund,
  - d. the source and amount of all credits to the Debt Retirement Fund,
  - e. the recipient and amounts of all debits to the Debt Retirement Fund,
  - f. historical ten-year balances of the Bond Issuance Fund,
  - g. the source and amount of all credits to the Bond Issuance Fund,
  - h. the recipient and amount of all debits to the Bond Issuance Fund,
  - i. historical ten-year balances of the Escrow Fund,
  - j. the source and amount of all credits to the Escrow Fund,
  - k. the recipient and amount of all debits to the Escrow Fund,

- l. historical ten-year balances of the Construction Fund,
  - m. the source and amount of all credits to the Construction Fund, and
  - n. the recipient and amount of all debits to the Construction Fund;
2. information regarding whether the UTGO Millage is being used to make set-asides on account of the secured general obligation bonds series 2010(A) and, if so, the authority for such use of the UTGO Millage and amount of all such set asides;
  3. the use of the UTGO Millage since the July 18, 2013; and
  4. projections as to the amount and collectability of the UTGO Millage for the next ten years.

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of these requests. The City may make further revisions to the Disclosure Statement that address the subject matter of these requests.**

- C. The Disclosure Statement states that the City may lose its ability to levy the UTGO millage if the UTGO Bonds are impaired in the plan. See Disclosure Statement, at 125. The Disclosure Statement also provides that "[i]n the event the City is precluded from levying [the UTGO Millage], it anticipates borrowing funds sufficient to replace this lost revenue." Assured requests additional information regarding the following:

1. the legal basis for continuing to impose the UTGO Millage in the absence of the voter-approved obligations for which the UTGO Millage was authorized; and

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information regarding risk factors, including with respect to the subject matter of this request.**

2. the terms of any potential borrowing by the City to replace the revenues of the UTGO Millage as contemplated by the Disclosure Statement, including but not limited to:
  - a. the lender;

- b. a description of the obligation, including whether it would be a secured or unsecured obligation;
- c. the security;
- d. the initial principal amount;
- e. the interest rate;
- f. the methodology for determining the interest rate;
- g. the maturity; and
- h. the amortization schedule.

**The City believes that the information requested in paragraph II.C.2. is not necessary to provide adequate information with respect to the Plan.**

- D. The Ten-Year Financial Projections, Exhibit J, to the Disclosure Statement, include base projections that "assume the City is able to continue to collect the UTGO Millage." Disclosure Statement – Exhibit J, at 4. Exhibit J to the Disclosure Statement also includes a restructuring scenario in which there is a "reduction in millage to reflect treatment of UTGO as unsecured and corresponding reduction in property tax revenues." Disclosure Statement – Exhibit J, at 5. Assured requests additional information and clarification regarding the following:

- 1. the restructuring scenario in which the City loses its ability to levy the UTGO Millage and is required to borrow "funds sufficient to replace" the UTGO Millage; and

**The City believes that the information requested is not necessary to provide adequate information with respect to the Plan.**

- 2. the restructuring scenario in which the City loses its ability to levy the UTGO Millage and is unable to obtain replacement financing.

**The City believes that the information requested is not necessary to provide adequate information with respect to the Plan.**

- E. The Disclosure Statement acknowledges that holders of new securities may encounter "limited market acceptance of City credit ...." Disclosure Statement, at 125. Assured requests additional information regarding whether the City has analyzed or modeled the anticipated market reaction to insured vs. uninsured debt issuances, and the results of such analysis.

**The City believes that the requested analysis is not necessary to provide adequate information with respect to the Plan. To the extent that this request seeks discovery from the City, it is inappropriate.**

- F. The Disclosure Statement provides no information regarding whether the tax exempt status of UTGO Bonds will be retained for the Plan UTGO Notes. Assured requests additional information regarding whether the Plan UTGO Notes will be treated as tax exempt.

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

- G. The Disclosure Statement and Plan reference Exhibit I.A.206 – Principal Terms of Plan UTGO Notes and Exhibit I.A.207 – Form of Plan UTGO Note, neither of which has been provided. Assured requests that these exhibits be provided.

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

- H. Assured requests information regarding the potential effect of a finding in the UTGO Litigation that the UTGOs are secured obligations.

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request.**

- I. Assured requests additional disclosure that recent audited financials show sufficient millage collection to pay the Unlimited Tax General Obligation Bond Claims in full, and complete explanation why such audited financials are incorrect.

**The City believes that the requested analysis is not necessary to provide adequate information with respect to the Plan.**

- J. Assured requests the specific proposed uses of the balance of millage that would not be paid to the holders of Unlimited Tax General Obligation Bond Claims under the Plan.

**The City believes that the requested analysis is not necessary to provide adequate information with respect to the Plan.**

III. Bond Insurer Claims

- A. Assured requests a description of the City's proposed Plan treatment of Bond Insurer Claims. This description should include specific treatment for each category of claims asserted by the Bond Insurers, including but not limited to,
1. claims for principal and interest due under the applicable bond documents, whether by subrogation, assignment or otherwise; and

**The City believes that the Disclosure Statement provides adequate information with respect to the treatment of all Claims, including any Claims that may be held by Bond Insurers.**

2. direct claims for contractual reimbursement of charges, fees, costs, losses, liabilities and expenses incurred by the Bond Insurers in connection with their respective insurance policies, reimbursement agreements and applicable bond documents.

**The City believes that the Disclosure Statement provides adequate information with respect to the treatment of all Claims, including any Claims that may be held by Bond Insurers.**

IV. Voting Issues and Procedures

- A. Assured requests that a brief discussion of the voting procedures, including the voting dispute resolution procedures, be added to the Disclosure Statement.

**The City intends to make further revisions to the Disclosure Statement that address the subject matter of this request.**

- B. Assured requests that the Disclosure Statement be amended to clarify that both Insurers and Holders of securities giving rise to claims in Classes 1 A, 1 B, 1C, 1D, 1E, 7, 8, or 9 will receive ballots and be allowed to vote on the Plan.

**The City intends to make further revisions to the Disclosure Statement that address the subject matter of this request.**

V. Additional Information Requested

In addition, Assured requests the following information as a party in interest in this case.

- A. The Disclosure Statement provides that the replacement bonds provided to holders of DWSD Revolving Bonds will have their respective interest rates calculated by reference to the Interest Rate Reset Chart, attached as Exhibit I.A.150 to the Plan. See Disclosure Statement, at 95, 97. The Interest Rate Reset Chart, however, does not include any information regarding the replacement bonds that will be provided to holders of DWSD Revolving Bonds. Assured requests additional information regarding the interest rates to be provided to holders of DWSD Revolving Bonds.

**The City intends to file a revised Interest Rate Reset Chart with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline. The City believes that the revised Interest Rate Reset Chart will provide adequate information with respect to the subject matter of this request.**

- B. The Disclosure Statement provides that the City will enter into the DIA Settlement, the proceeds of which will be used to fund the City's pension contributions. See Disclosure Statement, at 98. The Disclosure Statement fails to provide the definitive documentation governing this DIA Settlement. Assured requests additional information regarding the terms of the DIA Settlement.

**The City intends to file a summary of material terms of the DIA Settlement with the amended Plan and Disclosure Statement.**

- C. The Disclosure Statement provides that a condition to the Foundations' participation in the DIA Settlement is "the affirmation by County authorities of certain existing funding obligations with respect to DIA Corp." Disclosure Statement, at 98. Assured requests further explanation as to the meaning of this statement, including a description of each "existing funding obligation" to be reaffirmed by the County.

**The City intends to make further revisions to the Disclosure Statement that address the subject matter of this request.**

- D. The Disclosure Statement provides that the DIA Funding Parties means the Foundations and DIA Corp. The Disclosure Statement does not disclose the

identities of the Foundations. Assured requests that the Foundations be specifically identified.

**The City intends to make further revisions to the Disclosure Statement that address the subject matter of this request.**

- E. The Disclosure Statement provides that if Classes 10 and 11 accept the Plan, Holders of PFRS Claims that accept the Plan will have the option to enter into a settlement with the City. See Disclosure Statement, at 84. The Disclosure Statement also provides that if Classes 10 and 11 accept the Plan, Holders of GRS Claims who accept the Plan will have the option to enter into a settlement with the City. See Disclosure Statement, at 85. Assured requests clarification as to whether both Classes 10 and 11 must accept the Plan before an accepting PFRS and GRS claimant may enter into a settlement with the City.

**The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

- F. The Disclosure Statement provides that the Estimated Percentage Recovery for Class 10 – PFRS Claims will be 20.8-29.8%. See Disclosure Statement, at 16. The Disclosure Statement also provides that PFRS Claim holders will receive a monthly pension equal to an estimated 90-94% of the amount currently being received. See Disclosure Statement, at 7. Assured requests detailed additional information explaining how the Estimated Percentage Recovery was calculated.

**The City intends to make further revisions to the Disclosure Statement that address the subject matter of this request.**

- G. The Disclosure Statement provides that the Estimated Percentage Recovery for Class 11 – GRS Claims will be 27.5-33.3%. See Disclosure Statement, at 17. The Disclosure Statement also provides that GRS Claim holders will receive a monthly pension equal to an estimated 66-74% of the amount currently being received. See Disclosure Statement, at 7. Assured requests detailed additional information explaining how the Estimated Percentage Recovery was calculated.

**The City intends to make further revisions to the Disclosure Statement that address the subject matter of this request.**

- H. The Disclosure Statement provides that if the GRS pension plans exceed an 80% funding level by June 30, 2023 there could be an improvement in the pensions at that time. See Disclosure Statement, at 8. Assured requests detailed additional information regarding the treatment of GRS Claims if the GRS pension plans are

(or are projected to be) below an 80% funding level by, or at any time after, June 30, 2023.

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request.**

- I. The Disclosure Statement discusses the establishment and funding of a Professional Fee Reserve. See Disclosure Statement, at 99. Assured requests additional information regarding this Professional Fee Reserve including, but not limited to, the following:

1. the source of funding for the Professional Fee Reserve;
2. the amount of the Professional Fee Reserve; and
3. the potential effect, if any, of the consummation of a DWSD Transaction (or a sale of DWSD assets) on the Professional Fee Reserve.

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request.**

- J. The Disclosure Statement discusses three requirements that may affect state revenue sharing. See Disclosure Statement, at 25. Assured requests additional information as to whether the City has met these requirements and whether the City expects to do so in the future.

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information regarding State revenue sharing. The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

- K. Assured requests additional information explaining how the City derived its estimate of a 20% recovery for the holders of Limited Tax General Obligation Bonds. This information should include, but not be limited to,

1. a definition of the "certain incremental recurring gross specified tax receipts" from which the New C Notes will be paid;
2. a detailed explanation of the adjustments to the Revenue Hurdle;
3. an estimate of the aggregate allowed amount of the COP Claims (which will share in the New B Notes and the New C Notes if they become

Allowed Claims), as well as the amount to be contributed to Disputed COP Claim Reserve (if different);

4. the basis for the estimate of the aggregate allowed amount of the COP Claims and the amount of the Disputed COP Claim Reserve (if different);
5. an estimate of the aggregate allowed amount of Other Unsecured Claims; and
6. the basis for the estimate of the aggregate allowed amount of Other Unsecured Claims.

**The City intends to make further revisions to the Disclosure Statement that address in part the subject matter of this request.**

VI. Missing Documentation/Terms

- A. Assured requests the principal terms (unless already provided) and documentation for the following items:

1. The New DWSD Bond Documents;
2. The New Existing Rate DWSD;
3. The New DWSD Revolving Bond Documents;
4. The New GLWA Bond Documents;
5. The New GLWA Existing Rate Bond Documents;
6. The New GLWA Revolving Bond Documents;
7. Plan UTGO Note;

**The City intends to file information regarding the subject matter of the requests in paragraphs VI.A.1 through VI.A.7 either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

8. Schedule of DIA Assets;

**The City intends to file a schedule of DIA Assets with the amended Plan and Disclosure Statement.**

9. DIA Settlement Documents;

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**The City intends to file a summary of material terms of the DIA Settlement with the amended Plan and Disclosure Statement.**

10. New B Notes Documents;

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

11. New B Notes Valuation;

**The City expects that language regarding the subject matter of this request will be deleted from the amended Plan and Disclosure Statement.**

12. New C Notes Documents;

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

13. Detroit VEBA Trust Agreement;

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

14. OPEB Claims Note;

**The City expects that language regarding the subject matter of this request will be deleted from the amended Plan and Disclosure Statement.**

15. GRS Hybrid Pension Formula;

**The City intends to file form plan documents with respect to the GRS Hybrid Pension Plan with the amended Plan and Disclosure Statement.**

16. Plan GRS Settlement Documents;

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request. The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

17. Schedule of Reductions to Allowed GRS Claims and Related Allowed OPEB Claims;

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request. The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

18. Schedule of Payments and Sources of Payments for Modified GRS Pension Benefits;

**The City intends to file a schedule of payments and sources of payment for modified GRS pension benefits with the amended Plan and Disclosure Statement.**

19. PFRS Hybrid Pension Formula;

**The City intends to file form plan documents with respect to the PFRS Hybrid Pension Plan with the amended Plan and Disclosure Statement.**

20. Plan PFRS Settlement Documents;

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request. The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

21. Schedule of Reductions to Allowed PFRS Claims and Related Allowed OPEB Claims;

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request. The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

22. Schedule of Payments and Sources of Payments for Modified PFRS Pension Benefits;

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request. The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

23. Reduction Formula for Participants in Annuity Savings Fund Accounts;

**The City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of this request. The City may make further revisions to the Disclosure Statement that address the subject matter of this request.**

24. Retiree Health Care Settlement Agreement;

**The City intends to file documents relating to the principal terms of the Retiree Health Care Settlement Agreement with the amended Plan and Disclosure Statement.**

25. Schedule of Postpetition Collective Bargaining Agreements;

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

26. Plan COP Settlement Documents;

**The City intends to file documents responsive to this request with the amended Plan and Disclosure Statement or the Plan Supplement.**

27. Executory Contracts and Unexpired Leases to be Rejected, and

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

28. Retained Causes of Action.

**The City intends to file information regarding the subject matter of this request either with the amended Plan and Disclosure Statement or with the Plan Supplement, prior to the Voting Deadline.**

Sincerely,

Bruce Bennett

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

David G. Heiman  
Heather Lennox  
Thomas A. Wilson  
JONES DAY  
North Point  
901 Lakeside Avenue  
Cleveland, Ohio 44114  
Telephone: (216) 586-3939  
Facsimile: (216) 579-0212  
dgheiman@jonesday.com  
hlennox@jonesday.com  
tawilson@jonesday.com

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

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE EASTERN DISTRICT OF MICHIGAN  
SOUTHERN DIVISION**

In re:

Chapter 9

CITY OF DETROIT, MICHIGAN

Case No. 13-53846

Debtor.

Hon. Steven W. Rhodes

**CERTIFICATE OF SERVICE**

I hereby certify that on this 1<sup>st</sup> day of April 2014, I caused the *Joinder of Assured Guaranty Municipal Corp. in Motion to Extend the Disclosure Statement Approval Schedule [Dkt. No. 3317]* to be filed with the Clerk of the Court using the CM/ECF system, which provides electronic notification of such filing to all counsel of record.

Dated: April 1, 2014  
New York, New York

**CHADBOURNE & PARKE LLP**

By: /s/ Lawrence A. Larose  
Lawrence A. Larose  
Samuel S. Kohn  
Eric Daucher  
30 Rockefeller Plaza  
New York, NY 10012  
Telephone: (212) 408-5100  
llarose@chadbourne.com  
skohn@chadbourne.com  
edaucher@chadbourne.com

*Attorneys for Assured Guaranty  
Municipal Corp.*