

**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

**OBJECTION OF ASSURED GUARANTY MUNICIPAL
CORP. TO MOTION OF THE CITY FOR APPROVAL
OF THE PROPOSED DISCLOSURE STATEMENT**

Assured Guaranty Municipal Corp., formerly known as Financial Security Assurance Inc. (“Assured”),¹ a creditor and party in interest in the above-captioned chapter 9 case of the City of Detroit, Michigan (the “City”), hereby files this objection to the Motion of the City of Detroit for Approval of the Proposed Disclosure Statement [Docket No. 2713] (the “Motion”)², and respectfully states as follows:

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.

² Capitalized terms used but not otherwise defined herein shall have the meaning ascribed to them in the Amended Disclosure Statement With Respect to Amended Plan for the Adjustment of Debts of the City of Detroit [Docket No. 3382] (the “Amended Disclosure Statement”) or the Amended Plan for the Adjustment of Debts of the City of Detroit (March 31, 2014) [Docket No. 3380] (the “Amended Plan”).



PRELIMINARY STATEMENT

1. In accordance with this Court’s direction, Assured has made a good faith effort to reach an agreement with the City regarding the information inadequacies of the Amended Disclosure Statement.³ Despite this good faith effort, the Amended Disclosure Statement fails to contain adequate information, as required by section 1125 of the Bankruptcy Code, for Assured and other creditors in Classes 1B, 1C, 1D, and 8 to make an informed decision to accept or reject the Amended Plan.

2. As this Court recently reminded the City, “there are two facts that creditors are most interested in in determining how to vote . . . how much am I going to be paid and when.” Hearing Transcript, February 19, 2014, at 32:17–22. The Amended Disclosure Statement’s threadbare descriptions with respect to approximately \$6.05 billion of Detroit Water And Sewerage Department (the “DWSD”) bond claims and over \$350 million of Unlimited Tax General Obligation (“UTGO”) claims—two of the most significant constituencies in these cases, which together constitute a substantial portion of all the claims against the City—fail to meet these basic requirements and reveal that the current draft of the now-Amended Plan remains little more than a placeholder. For example, while the

³ As described below, Assured complied with this Court’s March 6, 2014 Procedures Order (as defined below), by sending a letter to counsel for the City on March 14, 2014, requesting additional information in an effort to resolve Assured’s preliminarily identified deficiencies in the Initial Disclosure Statement (as defined below).

Amended Plan states that the City would like to engage in some sort of transaction to extract significant money from the DWSD, and explains that the ultimate treatment of DWSD Bondholders could vary widely based upon whether such a transaction occurs, the Amended Disclosure Statement provides absolutely no meaningful guidance as to what form such a transaction may ultimately take or any of the risks attendant thereto. Equally egregious, the Amended Disclosure Statement provides no meaningful information regarding the form of compensation the UTGO Bondholders would ultimately receive under the Amended Plan. In short, the Amended Disclosure Statement fails to provide even the most basic information regarding claim treatment under the Amended Plan, to say nothing of the significantly detailed disclosure that is appropriate in a case of this size and magnitude, complexity, and importance.

3. Accordingly, this Court should deny the Motion or, in the alternative, require that the City further amend the Amended Disclosure Statement to address the information inadequacies discussed herein.

BACKGROUND

4. On July 18, 2013, the City filed a voluntary petition for the adjustment of debt under chapter 9 of the Bankruptcy Code.

5. On February 21, 2014, the City filed its Disclosure Statement With Respect to Plan for the Adjustment of Debts of the City of Detroit [Docket No.

2709] (the “Initial Disclosure Statement”) and the Plan for the Adjustment of Debts of the City of Detroit (February 21, 2014) [Docket No. 2708] (the “Initial Plan”) and the Motion.

6. On March 6, 2014, this Court entered the Second Amended Order Establishing Procedures, Deadlines and Hearing Dates Relating to the Debtor’s Plan of Adjustment [Docket No. 2937] (the “Procedures Order”).

7. Pursuant to the Procedures Order, on March 14, 2014, Assured sent a letter to counsel for the City, which identified deficiencies in the Initial Disclosure Statement and requested additional disclosure (the “March 14 Letter,” a true and correct copy of which is attached hereto as Exhibit “A”).

8. On March 27, 2014, the City filed an *ex parte* motion stating that it intended to file an amended disclosure statement and plan of adjustment on March 31, 2014, and requesting that this Court enter an order extending the deadline for the parties to file objections to the Amended Disclosure Statement by a mere two days, through April 3, 2014. Shortly thereafter, this Court entered an order granting the requested two-day extension.

9. On March 28, 2014, the City responded by letter (the “City’s March 28 Letter,” a true and correct copy of which is attached hereto as Exhibit “B”) to Assured’s March 14 Letter. In the City’s March 28 Letter, the City declined to substantively respond to any of the requests made by Assured in its March 14

Letter. Instead, the City reiterated that it intended to file an amended disclosure statement and amended plan of adjustment that would address certain (but not all) of the deficiencies giving rise to Assured's requests and stated that it would upload certain additional (but mostly unspecified) information to the virtual data room established by the City.

10. On March 31, 2014, the City filed the Amended Plan and Amended Disclosure Statement, which differ radically in substance and form from the Initial Plan and Initial Disclosure Statement.

11. After reviewing the Amended Plan and Amended Disclosure Statement, and determining the enormous degree to which they differed from the Initial Plan and Initial Disclosure Statement, Assured, as well as several other parties, requested an extension of the deadline for filing objections to the Amended Disclosure Statement.

12. After a hearing on April 2, 2014, this Court entered an order further extending the deadline to object to the Amended Disclosure Statement through April 7, 2014.

OBJECTION

13. Section 1125 of the Bankruptcy Code, which is applicable in this case pursuant to section 901 of the Bankruptcy Code, requires a plan proponent to obtain approval of a disclosure statement before soliciting votes to accept a plan.

11 U.S.C. §§ 901(a), 1125(b); see also In re Cnty. of Orange, 219 B.R. 543, 560 (Bankr. C.D. Cal. 1997) (“Section 1125 is incorporated into chapter 9 by § 901(a).”).

14. “[T]he purpose of the disclosure statement is ‘to give all creditors a source of information which allows them to make an informed choice regarding the approval or rejection of a plan.’” In re Cnty. of Orange, 219 B.R. at 560 (quoting Duff v. U.S. Trustee (In re California Fidelity, Inc.), 198 B.R. 567, 571 (B.A.P. 9th Cir. 1996)); see also Mid-Towne Assocs. v. U.S. Dep’t of Hous. and Urban Dev. (In re Mid-Towne Assocs.), 36 F.3d 1097 (Table), No. 93-3290, 1994 WL 487347, at *3 (6th Cir. Sept. 8, 1994) (“The purpose of a § 1125(b) disclosure statement is to solicit acceptances or rejections and the statement must contain adequate information, as defined in § 1125(a), for such purpose.”).

15. For purposes of approval of a disclosure statement, “adequate information” is defined as:

information of a kind, and in sufficient detail, as far as is reasonably practicable in light of the nature and history of the debtor and the condition of the debtor’s books and records . . . that would enable such a hypothetical investor of the relevant class to make an informed judgment about the plan

11 U.S.C. § 1125(a)(1); see also In re Cnty. of Orange, 219 B.R. at 560 (“Adequate information means information which is sufficiently specific as to enable a

hypothetical reasonable investor to . . . make an informed judgment about the plan”) (internal quotations omitted).

16. Courts review the adequacy of disclosure statements on a case-by-case basis, and frequently consider a non-exhaustive list of nineteen disclosure factors. See, e.g., In re Commonwealth Group-Mocksville Partner, LP, --- B.R. ---, No. 12-34319, 2013 WL 1728056, at *2 (Bankr. E.D. Tenn. Apr. 22, 2013); In re Cardinal Congregate I, 121 B.R. 760, 765 (Bankr. S.D. Ohio 1992); In re Malek, 35 B.R. 443 (Bankr. W.D. Mich. 1983). Among the factors relevant to Assured’s interests are: (1) a complete description of the available assets and their value; (2) the anticipated future of the debtor; (3) the source of the information provided in the disclosure statement; (4) the accounting and valuation methods used to produce the financial information in the disclosure statement; (5) an estimate of all administrative expenses, including attorneys’ fees and accountants’ fees; (6) any financial information, valuations or pro forma projections that would be relevant to creditors’ determinations of whether to accept or reject the plan; and (7) information relevant to the risks being taken by the creditors and interest holders.⁴

⁴ Other factors include: (1) the circumstances that gave rise to the filing of the bankruptcy petition; (2) a disclaimer, which typically indicates that no statements or information concerning the debtor or its assets or securities are authorized, other than those set forth in the disclosure statement; (3) information regarding claims against the estate; (4) a summary of the plan of reorganization; (5) the collectability of any accounts receivable; (6) the actual or projected value that can be obtained from avoidable transfers; (7) the existence, likelihood and possible success of non-bankruptcy litigation; (8) the tax consequences of the plan; and

In re Commonwealth Group-Mocksville Partner, LP, 2013 WL 1728056, at *2 (quoting Cardinal Congregate I, 121 B.R. at 765); see also In re Microwave Prods. of Am., 100 B.R. 376, 377–78 (Bankr. W.D. Tenn. 1989) (quoting In re Metrocraft Pub. Services, Inc., 39 B.R. 567, 568 (Bankr. N.D. Ga. 1984)).

17. In addition to these factors, courts have frequently noted that “a case may arise in which disclosure of all these enumerated factors is still not sufficient to provide adequate information for the creditors to evaluate the plan.” Metrocraft, 39 B.R. at 568.; see also Cardinal Congregate I, 121 B.R. at 765; In re Scioto Val. Mortg. Co., 88 B.R. 168, 168 (Bankr. S.D. Ohio 1988). Accordingly, a plan proponent must ultimately demonstrate that a disclosure statement contains “all pertinent information bearing on the success or failure of the proposals in the plan” and “information relating to the risks posed to creditors and equity interest holders under the proposed plan” Cardinal Congregate I, 121 B.R. at 765–66; see also In re Cnty. of Orange, 291 B.R. at 560 (“In other words, the purpose of the disclosure statement is ‘to give all creditors a source of information which allows them to make an informed choice regarding the approval or rejection of a plan.’”) (quoting Duff v. United States Trustee (In re California Fidelity, Inc.), 198 B.R. 567, 571 (B.A.P. 9th Cir. 1996)); Scioto, 88 B.R. at 172 (“It is imperative . . . that

(9) the relationship of the debtor with affiliates. In re Commonwealth Group-Mocksville Partner, LP, 2013 WL 1728056, at *2.

the Debtor disclose all pertinent information so that [any holder of a claim or interest] can cast an informed vote accepting or rejecting the plan.”).

18. Where a disclosure statement fails to provide adequate information, a motion to approve the disclosure statement should be denied. See, e.g., Cardinal Congregate I, 121 B.R. at 767–68. For example, approval of a disclosure statement may be denied where the disclosure statement: (a) contains an inadequate discussion regarding the nature, identity and proposed treatment of certain claims; (b) does not sufficiently explain the consequences of a contemplated or proposed transaction; (c) fails to identify how certain plan-related metrics were calculated; (d) lacks adequate definitions; or (e) does not contain a detailed textual description of the debtor’s postpetition performance. See id. As detailed below, the City’s Amended Disclosure Statement suffers from *all* of these flaws, among others, and thus, the Motion should be denied.

I. Information Inadequacies Related to DWSD Claims

19. Assured insures several series of DWSD Bonds giving rise to claims in Classes 1B, 1C, and 1D, and is entitled to vote all claims arising from the securities that it insures.⁵ In accordance with this Court’s Procedures Order,

⁵ See Declaration of Samuel S. Kohn in Support of Limited Objection of Ambac Assurance Corporation, Assured Guaranty Municipal Corp., Financial Guaranty Insurance Company, and National Public Finance Guarantee Corporation to Motion of the City of Detroit for Entry of an Order (I) Establishing Procedures for Solicitation and Tabulation of Votes to Accept or Reject Plan of Adjustment and (II) Approving Notice Procedures Related to Confirmation of the Plan of Adjustment, Ex.’s A–D [Docket No. 2820].

Assured made a good faith effort to preliminarily identify deficiencies in the Initial Disclosure Statement related to these classes, and requested, pursuant to its March 14 Letter, the necessary additional information from the City. Rather than respond directly to the requests made in Assured's March 14 Letter, the City responded that it would provide a small subset of the requested information in the Amended Disclosure Statement. See City's March 28 Letter, at 8. Indeed, the Amended Disclosure Statement, when filed, merely confirmed Assured's suspicion that the City simply has not yet settled on a workable treatment for DWSD Bondholders. Thus, despite Assured's requests for additional information, the Amended Disclosure Statement's discussion of the treatment of DWSD Bondholders remains a mere placeholder that fails to contain adequate information for Assured and other voters in Classes 1B, 1C, and 1D to make an informed judgment about the Amended Plan.

A. Interest Rate Reset Chart

20. In order to be eligible for approval, a disclosure statement must contain, among other things, "[i]nformation regarding the accounting and valuation methods used in preparation of the Disclosure Statement's financial exhibits." Cardinal Congregate I, 121 B.R. at 767. Here, the City's key financial exhibit related to the treatment of holders of DWSD Bonds is grossly deficient.

21. The Amended Disclosure Statement provides that holders of DWSD Bonds giving rise to claims in Classes 1B, 1C, or 1D may receive either New DWSD Bonds or New GLWA Bonds,⁶ which will have an interest rate calculated by reference to the Interest Rate Reset Chart that is attached as Exhibit I.A.159 to the Amended Plan (the “Interest Rate Reset Chart”). See Amended Disclosure Statement, at 44–46. The Amended Disclosure Statement does not include any explanation of the methodology used to prepare the chart. See Cardinal Congregate I, 121 B.R. at 767 (requiring disclosure of the methodology for assumptions). Moreover, the Amended Disclosure Statement fails to provide any information as to why the interest rates reflected in the Interest Rate Reset Chart are appropriate and will permit confirmation of the Amended Plan.

22. Assured requested, in the March 14 Letter, an explanation of the prior iteration of the Interest Rate Reset Chart, including, but not limited to, information relating to the methodology for deriving the interest rates reflected in the chart; comparable municipal credits that would substantiate the proposed rates reflected in the chart; and any reports or analyses prepared in or relied on in the development of the chart. See March 14 Letter, at ¶ I.A. The City has failed to

⁶ As discussed in more detail below, whether DWSD Bondholders will receive New DWSD Bonds or New GLWA Bonds will depend on whether the City consummates a “DWSD Transaction.” Alternatively, under certain circumstances, particular holders of CUSIPs of DWSD Bonds may receive New Existing Rate DWSD Bonds or New Existing Rate GLWA Bonds, in which case the Interest Rate Reset Chart will be irrelevant to that particular CUSIP of DWSD Bonds.

provide this information. Thus, while the latest version of the Interest Rate Reset Chart is a modest improvement over the City's previous effort, it nevertheless remains fatally flawed in that it provides no basis for anyone to determine how the figures it contains were derived and whether they are tied to market realities.

23. Without additional information relating to the Interest Rate Reset Chart, Assured and other holders of claims in Classes 1B–1D cannot make an informed decision regarding whether to vote to accept or reject the Amended Plan. As set forth in the Amended Disclosure Statement, holders of claims in Classes 1B–1D would be impaired under the Amended Plan. See Amended Disclosure Statement, at 28–30. This impairment is the result of, in significant part, the City's proposal to reduce the interest rate that will be payable to holders of DWSD Bonds. Without the information requested in the March 14 Letter, Assured cannot determine whether such impairment is based on defensible (or even rational) metrics.

B. Potential DWSD Transaction

24. A disclosure statement may not be approved if it fails to provide “detailed disclosure of the facts and assumptions underlying the debtor’s belief that it will accomplish” transactions that are contemplated by the debtor’s plan. Cardinal Congregate I, 121 B.R. at 767. Moreover, “a proper disclosure statement must clearly and succinctly inform the average . . . creditor *what it is going to get*,

when it is going to get it, and what contingencies there are to getting its distribution.” In re Commonwealth Group-Mocksville Partner, LP, --- B.R. ---, No. 12-34319, 2013 WL 1728056, at *3 (Bankr. E.D. Tenn. Apr. 22, 2013) (quoting In re Ferretti, 128 B.R. 16, 19 (Bankr. D. N.H. 1991)) (emphasis added). The Amended Disclosure Statement fails both of these tests.

25. The Amended Disclosure Statement provides that “[t]he City may enter into a transaction (the ‘DWSD Transaction’) that would include the transfer of the functions of the DWSD to a to-be-formed Great Lakes Water Authority (the ‘GLWA’).” Amended Disclosure Statement, at 121. However, rather than provide any concrete details regarding such a DWSD Transaction, the Amended Disclosure Statement merely provides that “[t]o date, negotiations among the City and the Counties [that would participate in the formation of the GLWA] have not yet resulted in any agreement with respect to the formation of the GLWA.” Id. at 122. In other words, as of now, the City has no idea whether there will be a DWSD Transaction, what such a transaction would ultimately accomplish, and what creditors in Classes 1A–1F would need to consider with respect to such a transaction when deciding whether to accept or reject the Amended Plan.

26. Charitably, the City does disclose that “[t]he City will only enter into a DWSD Transaction if it enables the City to make larger, more rapid or more certain distributions to at least some of its creditors as compared to the

distributions specified in the Amended Plan and described in this Disclosure Statement.” Id. at 121. Unfortunately, any modest utility of this vague statement is completely undercut by the lack of any disclosure regarding what would constitute “larger, more rapid or more certain distributions,” and which classes of creditors are contemplated by the phrase “at least some of its creditors.” Id.

27. In the March 14 Letter, Assured requested the details of all potential DWSD Transactions that the City is considering or has considered, including the potential operations and maintenance expenses of the GLWA, the projected revenues and expenses of the GLWA, the assets to be transferred, and all related material risks. See March 14 Letter, at ¶ I.B. This information was not provided in the City’s March 28 Letter—and apparently cannot be—because nine months after filing for bankruptcy protection the City itself still does not yet know what form the DWSD Transaction may take and what risks it may impose upon existing DWSD Bondholders.

28. The City’s decision regarding whether to consummate a DWSD Transaction will have at least two profound effects on Assured (and potentially many more from as yet undisclosed terms). First, if the City consummates a DWSD Transaction, holders of Claims in Classes 1A–1D would not receive new bonds issued by the City and secured by the revenues of the DWSD. Instead, holders of Claims in those classes would receive either New GLWA Bonds or New

Existing Rate GLWA Bonds, which would be secured by the revenues of the GLWA—a newly created entity that would be separate and distinct from the City. See Amended Disclosure Statement, at 28–30, 45–46, 121–22.

29. Second, although holders of the New GLWA Bonds and New Existing Rate GLWA Bonds would ostensibly receive first liens on the revenues of the new GLWA, the “operations and maintenance expenses” of the GLWA would be excluded from those liens. See id. at 45–46. The GLWA’s “operations and maintenance expenses,” in turn, would “include the amount of any lease payment payable to the City’s General Fund” Id. at 46. Although the ultimate terms of any such lease are unknown (or at least undisclosed) at this time, the Amended Disclosure Statement contemplates that “[t]he GLWA would make annual payments to the City for the term of the lease in an amount equal to the DWSD’s total allocable share of the City’s liabilities under the COPs and OPEB liabilities.” Id. at 122. Thus, if a GLWA transaction is consummated, the Amended Plan would structurally subordinate the secured claims of the DWSD Bondholders to the claims of unsecured creditors who should have no recourse to DWSD revenues.

30. In sum, the DWSD Bondholders stand to receive radically different treatment under the Amended Plan depending on whether or not a DWSD Transaction is consummated. If a DWSD Transaction is consummated, the DWSD Bondholders will receive new bonds that are issued by an entity other than the

City, that will be of unknown credit quality, and that will be structurally subordinate to an enormous, and entirely artificial and unnecessary, lease payment. The City should be required to disclose all of the information requested in Assured's March 14 Letter with respect to the DWSD, any contemplated or potential DWSD Transaction, and the proposed GLWA, so that Assured and other similarly-situated creditors can understand the full extent of their proposed impairment under the Amended Plan. Such information may also address concerns regarding the Amended Plan's feasibility.

C. Proposed Sale or Privatization of the DWSD and/or Solicitation of Bids to Operate and Manage the DWSD

31. A disclosure statement may not be approved if it does not provide disclosure regarding any property sales that will be used, in whole or in part, to fund plan distributions. See Cardinal Congregate I, 121 B.R. at 767. Moreover, in addition to providing the details of any such proposed property sale, a disclosure statement must "contain a discussion of any efforts to date, as well as intended future efforts, to bring about a sale or refinancing of the property." Id. Here again, the City has failed to disclose adequate information.

32. In addition to providing no clear disclosure regarding the form and consequences of potential DWSD Transactions, the City is apparently also considering a sale, privatization, or other alternative restructuring of the DWSD in lieu of entering into a DWSD Transaction. See Amended Disclosure Statement, at

122–23; see also *Orr’s Alternative: Privatize or Sell Detroit Water Department*, THE DETROIT NEWS (Mar. 12, 2014, 1:16 PM), <http://www.detroitnews.com/article/20140312/METRO01/303120020>, a true and correct copy of which is attached hereto as Exhibit “C.” Indeed, on March 25, 2014, the City formally solicited proposals and bids from third parties interested in taking control of the DWSD. See Request for Information for Potential Operators of Detroit Water and Sewage Disposal Systems for Detroit Water and Sewerage Department, issued by the City of Detroit, Kevyn D. Orr, Emergency Manager (March 25, 2014) (the “RFI”). Pursuant to the RFI, the Emergency Manager indicated that the City is considering virtually all options with respect to a restructuring of the DWSD, including, without limitation: (a) an operations and management agreement, with payments to be made to the City; (b) a long-term lease and concession arrangement; or (c) an outright sale.⁷ The Amended Disclosure Statement, however, contains *no* information whatsoever regarding the rationale for, likely effects of, or risks associated with any of these possible alternatives to the type of DWSD Transaction described in the Amended Plan.

33. In the March 14 Letter, Assured requested additional information regarding any sale or privatization of the DWSD that the City is considering or has considered, including the scope of the DWSD-related assets that may be

⁷ The RFI requires interested parties to submit initial responses on or before April 7, 2014, and final binding proposals by June 1, 2014.

transferred, any potential purchasers, a detailed discussion of the process and timing of any sale or privatization, and the contemplated treatment of existing liens if the DWSD were to be sold or privatized. See March 14 Letter, at ¶ I.N.

34. In response to these requests, the City stated that it “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.” City’s March 28 Letter, at 8. While the Amended Disclosure Statement now at least acknowledges that the City is considering alternatives to the DWSD Transaction, it nevertheless fails to provide the overwhelming majority of information requested by Assured in connection with those alternatives. See Amended Disclosure Statement, at 122–23.

35. The sale or privatization of the DWSD would mark a significant departure from the structure currently contemplated by the Amended Plan and Amended Disclosure Statement. It is unclear how such a sale or privatization would affect holders or insurers of DWSD Bonds, and whether such a transaction would exacerbate the proposed impairment of holders of claims in Classes 1A–1F.

36. In short, a sale or privatization of the DWSD would raise a host of discrete legal and factual issues that are completely unaddressed by the Amended Disclosure Statement. It is imperative that the Amended Disclosure Statement be revised to include complete disclosure regarding the approach to restructuring the

DWSD that the City actually intends to pursue, and the potential consequences to DWSD Bondholders of such a restructuring.⁸ Such information is necessary for interested parties to understand how a vital department tasked (under the Amended Plan) with generating significant revenues for the City will operate, and how potential outcomes of the RFI process may affect the DWSD Bondholders and the overall feasibility of the City's Amended Plan.

D. DWSD Contributions to GRS

37. The treatment of the City's pension liabilities has been of critical importance throughout this chapter 9 case. The Amended Disclosure Statement provides that the DWSD will "accelerate, or prefund, the majority of its full allocable share of the GRS UAAL" over a ten year period (the "DWSD Prefunding"). Amended Disclosure Statement, at 11. In aggregate, the DWSD Prefunding would amount to approximately \$675 million. See id. at 24, 34. Together with certain revenues from the DIA Proceeds, the DWSD Prefunding would be the exclusive source of contributions to the GRS through June 30, 2023. See id. Although unclear, the Amended Disclosure Statement's exhibits appear to assume that this pension prefunding would be treated as an "operations and maintenance expense" of the DWSD, the payment of which would be structurally

⁸ The March 14 Letter did not contain any requests for information in connection with the RFI as Assured was not made aware of the RFI until it was issued on March 25, 2014.

senior to payments to the holders of the New DWSD Bonds or New Existing Rate DWSD Bonds. See Amended Disclosure Statement Ex. L, at 2, 9–10.

38. The Amended Disclosure Statement, however, provides no information regarding: (a) the City’s rationale or legal authority for compelling the DWSD to prefund the majority of its allocable share of GRS UAAL over the accelerated 10-year period; (b) the basis for treating such prefunding as an operations and maintenance expense; (c) the actuarial and other information used by the City to calculate the \$675 million allocation of GRS UAAL to the DWSD; (d) how \$675 million could be extracted from the DWSD; or (e) the degree to which such prefunding treatment would exacerbate the impairment of DWSD Bondholders. Indeed, in response to Assured’s requests for such information, see March 14 Letter, at ¶ I.E, the City refused to disclose any substantive information, and suggested that disclosure, if any, would be made at a later date. See City’s March 28 Letter, at 8.

39. Imposing an accelerated, structurally senior \$675 million obligation on the DWSD may substantially impair holders of claims in Classes 1A–1F. At the very least, such prefunding may substantially increase the risks associated with relying on DWSD revenues as collateral. Accordingly, the City must disclose information sufficient to cure all the deficiencies noted in paragraph 38, above.

E. Covenants in DWSD Bond Documents

40. The Amended Disclosure Statement provides that the New DWSD Bonds, the New Existing Rate DWSD Bonds, the New GLWA Bonds, and the New Existing Rate GLWA Bonds “shall have the same terms and conditions as the applicable CUSIP of DWSD Bonds receiving” the replacement bonds. Amended Disclosure Statement, at 44–46.

41. In the March 14 Letter, Assured requested confirmation that the covenants associated with the applicable series of DWSD Bonds will be retained unchanged. See March 14 Letter, at ¶ I.D. Assured also requested the documentation for the New DWSD Bonds, the New Existing Rate DWSD Bonds, the New GLWA Bonds, and the New Existing Rate GLWA Bonds. See March 14 Letter, at ¶¶ I.I, VI.A.1–2, 4–5.

42. In response to Assured’s request, the City revised the Initial Disclosure Statement in two ways. First, the City clarified that DWSD Claims will be classified by “applicable CUSIP” rather than by “applicable DWSD Series.” This change is entirely appropriate.

43. More important, however, is the second revision, which fails to answer Assured’s request for confirmation that existing rate covenants would be maintained under the Amended Plan. Instead, the City has introduced further ambiguity (and, indeed, internal contradiction) to the Amended Disclosure

Statement by stating that, if a DWSD Transaction is consummated “[t]he GLWA would provide bond covenants *comparable* to present bond covenants.” Amended Disclosure Statement, at 122 (emphasis added). “Comparable” bond covenants, of course, may prove to be a far cry from “the same” bond covenants. Indeed, the City’s requirement that all parties responding to the RFI “commit[] to limit[ing] rate increases to no more than 4% per year for the first 10 years” suggests that the City may be considering impairing existing rate covenants, which contain no such limitation. See id. at 123; RFI. Although the City could have resolved this problem by providing the definitive bond documentation, as requested in Assured’s March 14 Letter, the City has failed to do so.

44. Without the information requested in the March 14 Letter, Assured and other similarly-situated creditors cannot determine the full extent of the Amended Plan’s proposed impairment of their claims. The documents underlying the existing DWSD Bonds are, in aggregate, thousand of pages long and contain, among many other critical provisions, multiple provisions relating to the City’s obligations with respect to maintaining appropriate rates for the water and sewer systems. Such rate covenants are a vital protection against impairment of Assured’s collateral. Unless Assured is provided the actual proposed documentation for the New DWSD Bonds, New Existing Rate DWSD Bonds, New GLWA Bonds, and New Existing Rate GLWA Bonds—and an ample opportunity

to review such documentation ahead of the voting deadline—it will not be able to truly determine what it would receive under the Amended Plan in satisfaction of its DWSD Claims.

F. The City has Not Provided any Disclosure
with Respect to a Potential New DWSD Issuance

45. The City has previously stated that it intends to issue new Sewage Disposal System Revenue Bonds and has taken a number of steps required by state law to effectuate such issuance. See Emergency Manager Order No. 22 “Order Ratifying and Approving Resolution of the Board of Water Commissioners Authorizing Publication of Note of Intent to Issue Sewage Disposal System Revenue Bonds” issued by Emergency Manager Kevyn Orr on January 30, 2014 (“EM Order No. 22”, a true and correct copy of which is attached hereto as Exhibit “D”). EM Order No. 22 provides, in relevant part, that the City intends to issue New Sewage Disposal System Revenue Bonds in a principal amount not to exceed \$350 million on a first priority basis, *pari passu* with the existing Senior Lien bonds secured by the net revenues of the DWSD Sewer System (the “New DWSD Issuance”). As of February 7, 2014, the City indicated that it was considering the possibility that the New DWSD Issuance would be issued in connection with the Amended Plan. The City also indicated that the financing would be completed by June 2014 and that the New DWSD Issuance was expected to have market terms, including “call protection.” On March 12, 2014, the Michigan Department of

Treasury and Michigan Finance Authority, on behalf of the City, circulated a “Request for Proposal for Underwriting Services” (the “RFP,” a true and correct copy of which is attached hereto as Exhibit “E”). Through the RFP, the City solicited proposals from “investment banking firms interested in serving as a senior manager or co-manager for a [DWSD] revenue bond issue of approximately \$150 million” RFP, at 1. According to the RFP, the anticipated scheduled closing for one or more proposed new issues is on or before June 30, 2014. See id. at 6.

46. In the March 14 Letter, Assured requested additional information regarding the New DWSD Issuance including, among other things, the contemplated material terms of the New DWSD Issuance and the projected effect of the issuance on the City’s financial projections. See March 14 Letter, at ¶¶ I.F, H. Despite these requests, the Amended Disclosure Statement continues to provide no information whatsoever with respect to the New DWSD Issuance.

47. Without clarification as to whether the City actually intends to proceed with the New DWSD Issuance, Assured and other similarly-situated creditors cannot determine the full extent of the Amended Plan’s proposed impairment of their claims. Further, if the City intends to proceed with the New DWSD Issuance, Assured must be informed of its terms and its anticipated or potential effect on the financial status of the DWSD or GLWA for multiple reasons. Most obviously, the existing DWSD Bond Documents, specifically the

sale orders of certain series of DWSD Bonds and corresponding insurer supplements, contain provisions that limit the ability of the City to issue new DWSD Bonds. Any attempt by the City to issue new DWSD Bonds as it has proposed to do under the RFP will likely result in litigation against the City. The Amended Disclosure Statement fails to advise creditors of this litigation risk, and its possible effects on the Amended Plan.

48. Second, and as the City has acknowledged, the City cannot go forward with any New DWSD Issuance that would be *pari passu* with any existing DWSD Bonds without, at the very least, satisfying certain debt service coverage ratios that would show Assured to be substantially oversecured.

49. Third, even if a *pari passu* New DWSD Issuance were to leave current DWSD Bondholders oversecured, it could substantially increase the overall risk level associated with their collateral package. Such increased risk would likely require that higher interest rates be paid to holders of DWSD claims.

50. The Amended Disclosure Statement should be revised to address all of these risks, and to provide all other information with respect to the New DWSD Issuance that was requested in the March 14 Letter.

G. The City has Not Disclosed the Risks Associated with Stripping “Call Protection” from the DWSD Bonds

51. The corresponding bond documents of certain series of DWSD Bonds currently provide for “call protection.” The Amended Disclosure Statement,

however, indicates that definitive documentation governing the New DWSD Bonds, New Existing Rate DWSD Bonds, the New GLWA Bonds, and New Existing Rate GLWA Bonds shall provide that the DWSD or GLWA, as appropriate, “may prepay or redeem all or any portion of the [corresponding new security] at any time at its option and without penalty or premium.” See Amended Disclosure Statement at 44–46. The Amended Disclosure Statement, however, lacks any discussion of the implications of stripping the DWSD Bonds of their call protection, nor does the Amended Disclosure Statement contain any discussion or financial analysis of the value of the call protection.

52. The DWSD Bondholders stand to receive radically different treatment under the Amended Plan as a consequence of the City’s proposed stripping of call protection. The City should be required to disclose all of the information regarding stripping the DWSD Bonds of their call protection so that Assured and other similarly-situated creditors can understand the full extent of their proposed impairment under the Amended Plan.

II. Information Inadequacies Related to UTGO Claims

53. Assured insures several series of UTGO Bonds giving rise to claims in Class 8. Assured requested additional information related to this class in its March 14 Letter. As detailed below, the Amended Disclosure Statement does not

contain any information, much less adequate information, for Assured and other voters in Class 8 to make an informed judgment about the Amended Plan.

A. Terms of the Plan UTGO Notes

54. The Amended Disclosure Statement provides that holders of securities giving rise to claims in Class 8 will receive Plan UTGO Notes in full satisfaction of their claims. See Amended Disclosure Statement, at 21, 32. The Amended Disclosure Statement, however, provides **no** details regarding the material terms of the Plan UTGO Notes. Indeed, the Amended Disclosure Statement fails to even state that the Plan UTGO Notes will be a “means of implementation of the plan.” Id. at 44–55. Instead, it only contains the following brief and generic description of the Plan UTGO Notes:

The maturity(ies) of the Plan UTGO Notes shall be no longer than the existing maturity(ies) of each series of Unlimited Tax General Obligation Bonds receiving Plan UTGO Notes. The Plan UTGO Notes shall contain such other terms as will result in each Holder of an Allowed Unlimited Tax General Obligation Bond Claim receiving a payment stream the present value of which is equal to approximately 15% of such Holder’s Allowed Unlimited Tax General Obligation Bond Claim as of the Effective date.

Id. at 32.⁹

⁹ In contrast, the Amended Disclosure Statement provides more detailed descriptions of the terms of the other new securities that would be issued by the City under the Plan. See Amended Disclosure Statement, at 44–47. Indeed, although the Plan specifically contemplates that the terms of the New UTGO Plan Notes would be set forth in Exhibit I.A.210 to the Plan, that exhibit is currently missing.

55. In the March 14 Letter, Assured requested information regarding the terms of the Plan UTGO Notes, including a description of the obligation, the initial principal amount, the interest rate, and the form of the Plan UTGO Notes. See March 14 Letter, at ¶¶ II.A, G. Additionally, Assured requested that the City make available the Plan UTGO Notes Documents, which were not provided with the Initial or Amended Disclosure Statement. See March 14 Letter, at ¶ VI.A.7. Rather than provide even such basic information in a timely manner, the City has responded that it will make the required disclosures at some unspecified date “prior to the Voting Deadline.” City’s March 28 Letter, at 9.

56. As noted above, the most basic function of a proper disclosure statement is to inform creditors what they will receive under a proposed plan. See In re Commonwealth Group-Mocksville Partner, LP, 2013 WL 1728056, at *3. The Amended Disclosure Statement fails this most basic test because the information it contains regarding the proposed treatment of UTGO creditors is meaningless. The Amended Disclosure Statement fails to disclose such basic facts about the proposed Plan UTGO Notes as their: (a) initial aggregate principal amount; (b) interest rate; (c) maturity date; (d) amortization schedule; (e) insurance, if any; and (f) collateral, if any. Unsurprisingly, given the Amended Disclosure Statement’s failure to provide such basic primary facts about the Plan UTGO Notes, it also fails to disclose pertinent secondary information, such as the

methodology used by the City to calculate and justify the (as of yet to be proposed) interest rate. In short, the Amended Disclosure Statement lacks any detail that would allow holders of UTGO claims to properly assess the Amended Plan and determine whether they should vote to accept or reject it.

B. The UTGO Millage

57. The Amended Disclosure Statement also fails to provide adequate information regarding the mills pledged to support the UTGO bond debt, most recently assessed at 9.6136 mills (the “UTGO Millage”). The Amended Disclosure Statement is devoid of information regarding the historical collection, historical use, projected collection, or projected use of the UTGO Millage.

58. Compounding these problems is the City’s acknowledgment that it may lose its ability to levy the UTGO Millage if the UTGO Bonds are impaired under the Amended Plan. See Amended Disclosure Statement, at 61. The Amended Disclosure Statement 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.” Id. Indeed, the City’s ten-year financial projections include one restructuring scenario in which there is a “reduction in [the UTGO Millage] to reflect treatment of UTGO as unsecured and corresponding reduction in property tax revenues.” Amended Disclosure Statement Ex. J, at 5.

59. Assured has repeatedly requested that the City provide additional information with respect to the UTGO Millage since virtually the beginning of this case. Most recently, in its March 14 Letter, Assured requested information regarding the collection and use of the UTGO Millage, including: (i) the historical ten-year UTGO Millage collection rates; (ii) the projected ten-year UTGO Millage collection rates; (iii) the balance, credits, and debits of all funds created under the UTGO Bond Documents; (iv) whether the UTGO Millage is being used to make set-asides on account of the secured general obligation bond series 2010(A); and (v) the use of the UTGO Millage since the petition date. See March 14 Letter, at ¶ II.B.

60. Despite the fact that the Amended Disclosure Statement provides no information on these topics, the City glibly responded to these requests by stating that “[t]he City believes that the Disclosure Statement contains all information necessary to provide adequate information with respect to the subject matter of these requests.” City’s March 28 Letter, at 10.

61. Assured also requested information regarding: (a) the legal basis for the City to continue to impose the UTGO Millage if the UTGO Bonds are impaired; and (b) the terms of any potential borrowing contemplated by the City to replace the revenues of the UTGO Millage. See March 14 Letter, at ¶ II.C. Here

again, the City declined to provide any additional information. See City's March 28 Letter, at 11.

62. As Assured has argued in the UTGO Litigation, the UTGO Millage secures the UTGO bond debt that gives rise to claims in Class 8. Accordingly, information regarding how the UTGO Millage has historically been used and how the City proposes to use the UTGO Millage after emergence from bankruptcy is of vital concern to UTGO creditors, who have a right to understand the risks they face based on the current status of their collateral and how the City proposes to divert that collateral under the Amended Plan.

63. Additionally, applicable state law explicitly states that the UTGO Millage must be segregated and used only to satisfy UTGO bond debt. See MCL § 141.2701. A plan of adjustment, of course, cannot be confirmed if it would violate state law on a going-forward basis. See 11 U.S.C. § 943(a)(4). The City must therefore disclose whether it does, in fact, intend to divert the UTGO Millage and why it believes that it is permitted to do so. Without this information, creditors cannot accurately assess whether the Amended Plan is confirmable.

64. Moreover, while the City has rightfully acknowledged that it may ultimately be prohibited from continuing to collect all the UTGO Millage if the Amended Plan impairs UTGO creditors, and has further acknowledged that it will seek to borrow funds to address any resulting shortfall, it has not provided any

information regarding the potential source of such borrowed funds, the terms on which such a loan would be made, or how such a loan would affect the City's proposed Amended Plan as a whole. The City has thus acknowledged that it may require additional funding beyond what is provided for in the Amended Plan, but has provided no details that would allow creditors to properly assess whether such additional funding can realistically be obtained. Without that information, creditors cannot accurately assess the feasibility of the Amended Plan and determine whether they should vote in favor of it.

C. Potential Effect of UTGO Litigation

65. The Amended Disclosure Statement contains a brief description of the UTGO Litigation and provides, without explanation, “[t]hat litigation, [or] the settlement thereof, may have an effect on the City’s ability to continue to collect the [UTGO Millage].” Amended Disclosure Statement, at 78. The Amended Disclosure Statement, however, provides no information as to the effect of a ruling in the UTGO Litigation that the UTGO Bonds are secured. In the March 14 Letter, Assured requested this information. See March 14 Letter, at ¶ II.H. Once again, the City declined to provide disclosure. See City’s March 28 Letter, at 13.

66. The City’s statement that the UTGO Litigation, or the possible settlement thereof, may have some undisclosed and amorphous “effect” on the Amended Plan demonstrates that the City’s entire proposed treatment of Class 8,

and all disclosures related thereto, are lacking, at best. The City must provide disclosure regarding the specific consequences to creditors of all classes that may or will occur if the City does not prevail in the UTGO Litigation.

D. Market Reaction to New UTGO Plan Notes

67. The Amended Disclosure Statement acknowledges that holders of new securities issued under the Amended Plan, including the UTGO Plan Notes, may encounter “limited market acceptance of City credit” Amended Disclosure Statement, at 62. In its March 14 Letter, Assured requested the results of any analysis or modeling conducted by the City regarding the anticipated market reaction to the Plan UTGO Notes, including how that reaction may vary depending on whether the Plan UTGO Notes are insured. See March 14 Letter, at ¶ II.E. The City failed to provide the requested disclosure. See City’s March 18 Letter, at 12.

68. Ultimately, the market provides the true test of the value of plan consideration. Especially in light of the amorphous terms of the proposed Plan UTGO Notes, Class 8 creditors cannot truly determine the value of what they stand to receive under the Amended Plan without an understanding of how the Plan UTGO Notes are likely to be received by the market. Accordingly, the City must disclose the information requested in Assured’s March 14 Letter, as well as the projected credit ratings of the Plan UTGO Notes on the Effective Date of the Amended Plan.

E. Insurance

69. The Amended Disclosure Statement provides no information regarding whether payment under the proposed Plan UTGO Notes would be insured by any financial guaranty insurance company. As with tax-exempt status, bond insurance provides a potentially significant economic advantage that may materially affect the market value of the proposed Plan UTGO Notes. Accordingly, the City should be required to disclose whether payment of amounts to be owed under the Plan UTGO Notes will be insured.

III. Bond Insurer Claims

70. The Bond Insurers, including Assured, have asserted several claims against the City, including, but not limited to, 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. Moreover, Assured, as well as certain other Bond Insurers, have or will claim the right to vote some or all of the claims arising under the debt that they insure. The Amended Disclosure Statement fails to disclose how the claims asserted by the Bond Insurers will be treated under the Amended Plan. Accordingly, in its March 14 Letter, Assured requested that the City provide disclosure regarding the City's proposed Amended Plan treatment of Bond Insurer Claims, including specific treatment for each

category of claims asserted by the Bond Insurers. See March 14 Letter, at ¶ III. The City’s sole concession to this demand was to clarify that the Amended Plan would not limit section 509 of the Bankruptcy Code’s application, if any, to the Bond Insurers’ claims. See Amended Disclosure Statement, at 40. No further information has been provided. See City’s March 28 Letter, at 13.

71. An acceptable disclosure statement must provide “detailed information regarding the nature of . . . claims and should specifically identify the holders of such claims.” Cardinal Congregate I, 121 B.R. at 767. Moreover, a “complete discussion of the [Amended Plan’s] proposed treatment of these claims is necessary.” Id. In the absence of such information, the Bond Insurers, including Assured, are completely bereft of information regarding how they will be treated under the Amended Plan. Accordingly, the City must provide the full scope of information regarding treatment of Bond Insurer Claims requested in Assured’s March 14 Letter.

IV. Other Informational Inadequacies

72. The Amended Disclosure Statement also fails to provide adequate information regarding other aspects of the Amended Plan that may affect Assured. Accordingly, Assured requested additional information related to these information inadequacies in its March 14 Letter. As detailed below, the Amended Disclosure

Statement does not contain adequate information for Assured and other voters to make an informed judgment about the Amended Plan.

A. Tax Treatment

73. The Amended Disclosure statement contains inadequate information regarding the potential tax consequences of various securities to be issued in connection with the Amended Plan. Specifically, the Amended Disclosure Statement provides that “[a]s of the date of this Disclosure Statement, it is not known whether interest on any New Securities other than the New DWSD Bonds or the New GLWA Bonds will be taxable or tax-exempt for U.S. federal income tax purposes.” Amended Disclosure Statement, at 143. The City should provide such information so that creditors may properly evaluate the consideration to be provided.

B. Professional Fee Reserve

74. The Amended Disclosure Statement discusses the implementation of a Professional Fee Reserve without any discussion as to the source or amount of such funding. See Amended Disclosure Statement, at 48. Assured requested this information in the March 14 Letter. See March 14 Letter, at ¶ V.I.

75. As a creditor of the City, Assured has a right to know the amount of funds that will be dedicated to the Professional Fee Reserve to cover administrative expenses, and, more importantly, how this substantial cost will be paid under the

Amended Plan as the allocation of this financial burden may significantly implicate Assured's ultimate treatment thereunder. Accordingly, the City should disclose the additional details requested in the March 14 Letter regarding the source and amount of the Professional Fee Reserve, before any of the City's creditors, let alone Assured, can make an informed judgment about the Amended Plan.

CONCLUSION

WHEREFORE, Assured respectfully requests that the Court enter an order: (a) denying the Motion or in the alternative requiring the City to further amend the Amended Disclosure Statement to address the information inadequacies discussed herein, and (b) granting Assured such other and further relief as may be just and proper.

Dated: New York, New York
April 7, 2014

CHADBOURNE & PARKE LLP

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EXHIBIT A

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March 14, 2014

Bruce Bennett
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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.



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 I.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, ID, IE, 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;

**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  
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Facsimile: (213) 243-2539  
bbennett@jonesday.com

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PADDOCK AND STONE, P.L.C.  
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Facsimile: (313) 496-7500  
green@millercanfield.com  
laplante@millercanfield.com

## **EXHIBIT C**

## Orr's alternative: Privatize or sell Detroit water department

Sun, Apr 6

detroitnews.com

*Detroit* — With multi-county negotiations stalled to create an expanded regional water authority, Emergency Manager Kevyn Orr is exploring Plan B — privatize operation of the Detroit Water and Sewer Department or sell it outright.

“I do think we’re at a crossroads now having had this discussion for decades about DWSD,” Orr told The Detroit News in an interview Tuesday. “We’re going to run on parallel tracks. We’re not walking away from the creation of an authority. We’re going to start looking at other alternatives as well.”

Miller Buckfire, the city’s investment banking consultant, is studying alternatives. The move comes as cooperation over a long-sought regional authority is becoming mired in wrangling over costs

and long-term financial responsibility, imperiling the city’s efforts to convert the department into a cash generator under its historic Chapter 9 bankruptcy.

Time is running short, with just a month to go until a crucial bankruptcy hearing on details of Orr’s debt-adjustment plan to be sent to creditors. Orr said a private company with expertise operating large-scale water and sewer utilities, such as New Jersey-based American Water Works Co. Inc., could save money and give bond investors “greater confidence in the operation of the department.”

Privatizing operations of the city water department, which serves roughly 4 million people across southeast Michigan, or selling the system outright would enable the counties to sidestep political repercussions of assuming more financial responsibility for the sprawling, under-capitalized water system. So would maintaining it as a city department.

Creation of a regional Great Lakes Water Authority remains Orr’s preferred option. But the talks with representatives of Oakland and Macomb counties, particularly, are encountering multiple obstacles: some \$1.5 billion in operating losses over the past seven years; more than \$500 million in abandoned projects, and more than \$500 million to terminate bad debt; \$142.5 million in unpaid water bills; and fears that an authority’s dismal credit rating would make it difficult to issue bonds.

County negotiators complain of counterproposals being summarily dismissed. Could the regional authority seize a portion of Detroit’s state revenue sharing to compensate for unpaid water bills in the city? No, Orr said, because that would imperil a critical revenue stream for Mayor Mike Duggan. Could the state use its strong credit rating to lower credit costs for the water authority? No, because it would be perceived as saddling the state with Detroit’s debt.

“By and large, this hasn’t been a negotiation,” said Robert Daddow, deputy county executive for Oakland County. “It’s been a stampede to an end point. We’ve been stuck in first gear for a long time because everything we put on the table gets rejected.”

The stakes are high. Orr's restructuring plan envisions a regional authority with representatives of Detroit, Wayne, Oakland and Macomb counties. He proposes the counties make annual lease payments of \$47 million over 40 years, bolstering their financial responsibility for an asset that would continue to be owned by the city.

But it's not that simple, negotiators say. With the system in need of billions in capital improvements

, the counties are concerned their ratepayers will be asked to finance upgrades to a system they do not own. They worry rates could be increased further to bolster revenue for the cash-strapped city, and that suburban ratepayers would be expected to subsidize — or “backstop,” in water talks parlance — those who do not pay their bills.

“I do not understand why that becomes our obligation,” said Macomb County Executive Mark Hackel. “What did we do wrong, the ratepayers in southeast Michigan, but pay (our) water bills? We didn't take any risks. Why should we be held accountable for that?”

County negotiators also fret the city department could move to levy what are called “Payments in Lieu of Taxes,” or PILOTS, on suburban counties to raise revenue that otherwise would come from negotiated lease payments. Asked whether PILOTS could be imposed by U.S. Bankruptcy Judge Steven Rhodes, Orr demurred.

Monetizing the city's water department is crucial to getting Rhodes' approval of the reorganization plan because it provides a guaranteed revenue stream. “One way or the other,” said Jim McTevia, a Bingham Farms corporate turnaround specialist, “you can bet your life that Orr is going to monetize that asset because that's a critical component of his plan of adjustment.”

Selling the city water system to a private buyer, the second of Orr's Plan B options, is unlikely. Orr called the probability “very low” even as he said the city would “explore what the potential price would be if we were to take it to an outright sale” — a prospect sure to elicit furious political pushback.

Still, Syncora Guarantee, one of the city's more aggressive bond insurers facing multi-million dollar losses from Orr's proposed cuts, has argued in court papers that Detroit needs more time to negotiate a water department deal with the counties or find a private buyer to maximize recoveries of what creditors are owed.

“While such a transaction has the potential to result in a better deal for the city and its creditors, at the very least, providing the city with time to explore this deal would improve

the city's negotiating leverage with the suburbs,” Syncora attorney Ryan Blaine Bennett wrote in a Feb. 28 court filing.

Privatizing the operations of the city's water department is emerging as a viable option. The city would retain ownership of the asset. Suburban customers theoretically would be insulated from the obligations of more direct control. And an outside contractor like American Water, as Orr suggested, would bring specialized management expertise and technical know-how.



“Wonderful,” Daddow said, referring to the city contracting with a private operator to run its water system. “A lot of advantages to doing that. We actually offered that as a suggestion and it was rejected last fall. Perhaps a reset through an operator is the way to go.”

## **EXHIBIT D**



OFFICE OF THE  
DETROIT CITY CLERK  
2014 JAN 30 P 3:55

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**EMERGENCY MANAGER  
CITY OF DETROIT**

**ORDER No. 22**

**ORDER RATIFYING AND APPROVING  
RESOLUTION OF THE BOARD OF WATER COMMISSIONERS  
AUTHORIZING PUBLICATION OF NOTICE OF INTENT TO ISSUE  
SEWAGE DISPOSAL SYSTEM REVENUE BONDS**

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BY THE AUTHORITY VESTED IN THE EMERGENCY MANAGER  
FOR THE CITY OF DETROIT  
PURSUANT TO MICHIGAN'S PUBLIC ACT 436 OF 2012,  
KEVYN D. ORR, THE EMERGENCY MANAGER,  
ISSUES THE FOLLOWING ORDER:

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*Whereas*, on March 28, 2013, Michigan Public Act 436 of 2012 ("PA 436") became effective and Kevyn D. Orr became the Emergency Manager ("EM") for the City of Detroit (the "City") with all the powers and duties provided under PA 436; and

Pursuant to section 9(2) of PA 436, the EM "shall act for and in the place and stead of" the Detroit Mayor (the "Mayor") and the Detroit City Council (the "City Council") and "shall have broad powers in receivership to rectify the financial emergency and assure the fiscal accountability of the City and the City's capacity to provide or cause to be provided necessary governmental services essential to the public health, safety, and welfare;" and

Pursuant to section 9(2) of PA 436, the Mayor and City Council, "following the appointment of an emergency manager and during the pendency of receivership, shall not exercise any of the powers of those offices except as may be specifically authorized in writing by the emergency manager or as otherwise provided by PA 436 and are subject to any conditions required by the emergency manager;" and

Pursuant to section 10(1) of PA 436, the EM may “issue to the appropriate local elected and appointed officials and employees, agents, and contractors of the local government the orders the emergency manager considers necessary to accomplish the purposes of this act;” and

Pursuant to section 12(1)(c) of PA 436, the EM, “notwithstanding any charter provision to the contrary,” may “[r]eceive and disburse on behalf of the local government all federal, state, and local funds earmarked for the local government. These funds may include, but are not limited to, funds for specific programs and the retirement of debt;” and

Pursuant to section 12(1)(ee) of PA 436, the EM, “notwithstanding any charter provision to the contrary,” may “[t]ake any other action or exercise any power or authority of any officer, employee, department, board, commission, or other similar entity of the local government, whether elected or appointed, relating to the operation of the local government. The power of the emergency manager shall be superior to and supersede the power of any of the foregoing officers or entities;” and

Article 7, Chapter 12, of the 2012 Detroit City Charter (the “Charter”) creates, pursuant to federal court order, the Water and Sewerage Department (“DWSD”) which is part of the City and is “headed by a seven (7) member board known as the Board of Water Commissioners [(the “DWSD Board”)] [who are] be appointed by and serve at the pleasure of the Mayor...;” and

Upon the EM’s appointment, pursuant to Section 12(1)(ee) of PA 436, the EM retains ultimate authority over DWSD and the DWSD Board’s decisions; and

The City intends to sell Sewage Disposal System Revenue Bonds, pursuant to Act 94, Public Acts of Michigan, 1933, as amended (“Act 94”), in a principal amount not to exceed \$350,000,000 (the “Sewage Disposal System Revenue Bonds”), in one or more series, for the purpose of paying all or part of the cost of acquiring and constructing replacements, extensions, improvements and repairs to DWSD’s infrastructure; and

On January 21, 2014, the DWSD Board adopted a resolution Authorizing Publication of Notice of Intent to Issue Sewage Disposal System Revenue Bonds (“Intent Resolution”); and

A Notice of Intent to Issue Bonds must be published at least 45 days before the issuance of the Sewage Disposal System Revenue Bonds to comply with the requirements of Section 33 of Act 94; and

If the 45-day referendum period expires without the submission to the City Clerk of a petition signed by not less than 15,000 electors requesting a referendum upon the question of the issuance of the Sewage Disposal System Revenue Bonds, the EM will consider the adoption of an Ordinance setting forth the terms of and authorizing the issuance of the such bonds; and



The EM has determined that, at this time, the DWSD Board will play a role in the process of ensuring continuity of essential services and restoring financial stability of the City; and


The EM has determined that the issuance of the Sewage Disposal System Revenue Bonds as outlined in the Intent Resolution is in the best interests of the City.

**It is hereby ordered that:**

1. The Intent Resolution is hereby approved, adopted and ratified in full.
2. If any component of this Order or its attachment is declared illegal, unenforceable or ineffective by a court of competent jurisdiction, such component shall be deemed severable so that all other components contained in this Order and its attachment shall remain valid and effective.
3. This Order is effective immediately upon the date of execution below.
4. The EM may modify, amend, rescind, replace, supplement or otherwise revise this Order at any time.
5. This Order shall be distributed to the Mayor, members of the City Council and all department heads.

Dated: January 30<sup>th</sup>, 2014

By:

  
Kevyn D. Orr  
Emergency Manager  
City of Detroit

cc: State of Michigan Department of Treasury  
Mayor Michael Duggan  
Members of Detroit City Council

## **EXHIBIT E**



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

R. KEVIN CLINTON  
STATE TREASURER

March 12, 2014

Via E-mail

**MICHIGAN DEPARTMENT OF TREASURY  
MICHIGAN FINANCE AUTHORITY  
(ON BEHALF OF THE CITY OF DETROIT AND THE DETROIT WATER AND  
SEWERAGE DEPARTMENT)  
REQUEST FOR PROPOSAL FOR UNDERWRITING SERVICES**

Dear Sir/Madam:

The Michigan Department of Treasury ("Treasury") and the Michigan Finance Authority ("MFA"), on behalf of the City of Detroit ("City") and Detroit Water and Sewerage Department ("DWSD") are publishing this Request for Proposals ("RFP") from investment banking firms interested in serving as a senior manager or co-manager for a revenue bond issue of approximately \$150 million to fund ongoing capital improvements under a capital improvement plan approved by the DWSD Board of Water Commissioners; resources from the State Revolving Fund are also being considered for these purposes, which may impact the borrowing amount pursuant to this request for underwriting services. In the context of the City's filing for bankruptcy protection under Chapter 9, its anticipated exit in fall 2014, and the potential creation of a regional water authority, a possible restructuring of DWSD's outstanding debt portfolio may be considered.

We plan to review qualifications and RFP responses in connection with one or more proposed issues anticipated to be scheduled for closing on or before June 30, 2014.

Firms submitting proposals in response to this RFP should indicate whether they are interested in serving as senior manager or co-manager. Only candidates for senior manager for the proposed transactions need to respond to Section E. Candidates for senior manager not selected for the book-running position may be considered for co-manager.

A selection committee will use the responses to this RFP to evaluate the qualifications of firms responding. The selection committee will also evaluate the firm's degree of critical understanding of DWSD's operating environment and financial goals as well as the ability to serve the needs of the MFA and DWSD in general. Once the selection committee has evaluated qualifications and made a recommendation, the appointment of managing underwriter(s) will be approved by the MFA after consultation with DWSD and the Emergency Manager.

The MFA reserves the right to extend or terminate any underwriting engagement at any time during its term. Selection of a firm or firms for future MFA issues will be made as those issues

are scheduled. Omission from appointment as managing underwriter on a financing does not preclude consideration for any future MFA issues. Conversely, selection as managing underwriter for a bond or note issue does not assure any role in future financings.

PROPOSAL REQUIREMENTS

If your firm is interested in serving as senior manager or co-manager in connection with the proposed issue, please submit four (4) hard copies of your response to the enclosed RFP no later than 1:00 p.m. EDT on March 25, 2014 to:

*John Barton  
Director, Authority Finance Division  
Michigan Department of Treasury  
430 W. Allegan  
Lansing, MI 48922  
(517) 335-0994*

At the same time, one (1) hard copy must be submitted to each of the following individuals:

*Alfred V. Diebel  
Treasury Manager  
Detroit Water and Sewerage Department  
735 Randolph, Suite 1900  
Detroit, MI 48226  
(313) 224-4771*

*Anne Burger Entrekin  
Managing Director  
FirstSouthwest  
70 NE Loop 410, Suite 710  
San Antonio, TX 78216  
(210) 308-2204*

Electronic versions of your response must be received by 1:00pm EDT on March 25, 2014 to:  
Treas\_BondFinance@michigan.gov.

Proposals must be structured to answer the questions contained in the enclosed RFP. Brevity in your response will be appreciated; please limit your overall response to the page count restrictions indicated within each section of the RFP. The page count restrictions assume single side formatting and exclude appendices and a cover letter of up to two pages, which should provide an executive summary of your proposal.

No further information on the nature or schedule of future MFA issues is available at this time. Technical questions with respect to this RFP must be directed by email to Anne Burger Entrekin, Managing Director, FirstSouthwest, anne.burgerentrekin@firstsw.com no later than 1:00 p.m.



EDT on March 18, 2014. Every effort will be made to answer all questions by close of business on March 20, 2014. Each question and answer will be shared with all RFP recipients who acknowledge receipt of this RFP and indicate their intent to respond. Interested firms should not directly contact any employee, elected official, member, or agent of Treasury, MFA, the City, DWSD, or credit rating agencies concerning this RFP.

Firms are advised that Treasury, MFA, the City, and DWSD are public agencies and their records, including statements in response to this RFP, are public records. The entities reserve the right to retain all submitted materials; to withdraw this RFP, or any part of this RFP; to reject any and all responses and to waive any irregularities with respect thereto; to waive any requirements of this RFP; and to modify or amend, with the consent of the respective firm, any provision of the RFP.

The entities reserve the right to seek additional information from all respondents and to select finalists for possible interviews. If interviews are held, finalists will be advised of the date and time of their interview which will be held in Detroit, Michigan. Interviews via conference call may also be held. Treasury, MFA, the City, and DWSD shall not be responsible for any costs incurred by firms in the submission or presentation of their proposals. Thank you for your interest in this undertaking. We look forward to receiving your proposal.

Sincerely,



John Barton  
Director, Authority Finance Division

Enclosure

cc: Tom Saxton, Chief Deputy Treasurer, Michigan Department of Treasury  
Anne Burger, FirstSouthwest  
Sue McCormick, Director, Detroit Water and Sewerage Department  
Kevyn Orr, Emergency Manager City of Detroit

**MICHIGAN DEPARTMENT OF TREASURY ("Treasury")  
MICHIGAN FINANCE AUTHORITY ("MFA" or "Authority")  
(ON BEHALF OF THE CITY OF DETROIT ("City") AND THE DETROIT WATER  
AND SEWERAGE DEPARTMENT ("DWSD"))  
REQUEST FOR PROPOSAL FOR UNDERWRITING SERVICES**

**QUESTIONS**

|                                             |
|---------------------------------------------|
| <b>A. PRINCIPAL CONTACTS – 2 PAGE LIMIT</b> |
|---------------------------------------------|

1. State the full name, mailing address, telephone number, facsimile number, and any other electronic mail addresses of the primary contact person from your firm and the principal author of this submission. Include the professional members of your firm who will be assigned to this undertaking on a full-time priority basis. Provide brief resumes for each and explain the responsibilities that he/she would assume for this undertaking. The resumes may be included in the appendix.
2. All firms submitting proposals may be considered for the position of co-manager. Please state your firm's interest in being considered for senior manager. (Note: only firms requesting to serve as senior manager must respond to the questions in Section E).
3. If your firm intends to use the services of any other investment banking, brokerage, financial advisory, specialty firms, or other non-employee professionals in the context of this engagement, please list the names and affiliations of any such individuals or firms, state the services to be provided by such firms or individuals, and provide details regarding any such arrangements.

|                                                                               |
|-------------------------------------------------------------------------------|
| <b>B. OWNERSHIP, MICHIGAN PRESENCE, STRUCTURE AND STAFFING – 1 PAGE LIMIT</b> |
|-------------------------------------------------------------------------------|

4. Briefly describe the firm's ownership structure, location, and organization. Detail any significant changes in ownership, location, and organization since January 1, 2013. As part of your response, please note:
  - a. Any significant changes in the structure or staffing of your Public Finance Department, Municipal Bond Department, or Municipal Sales Force.
  - b. Any material changes in your firm's financial condition or its commitment to municipal finance.
5. While not determinative in the selection process for this undertaking, describe your firm's Michigan presence, if any, and any changes to such that have occurred over the last two years or are anticipated to occur over the next 12 months. State the

number of full-time employees from your firm that are currently based in Michigan, the location of your offices here, and the number of FINRA registered representatives you employ at each office.

6. Summarize your firm's current capital base. Indicate the total amount of capital, the portion of which is equity and debt, and the amount of the firms' excess net capital based upon SEC uniform reporting requirements.

|                                |
|--------------------------------|
| C. UNDERWRITING – 2 PAGE LIMIT |
|--------------------------------|

7. Please provide a summary of negotiated municipal bond issues, highlighting your firms experience with negotiated regional public utility system bond issues including those with sub-investment grade credit ratings and/or in the context of bankruptcy proceedings, both in Michigan and other geographic markets, in which your firm served as senior or co-managing underwriter since January 1, 2010. As an appendix, include a detailed listing of the issuer names, bond ratings, par amounts, sale dates, and your firm's participation and sales performance for each of the aforementioned public utility issues including liability, orders, allotments, designations, and "going away business" for each of the foregoing listed bond issues.
8. Describe your retail and institutional sales capability for Michigan tax-exempt securities.
9. List any state or local Michigan government issuers that have engaged your firm as senior managing underwriter for financing(s) expected to close by June 30, 2014.

|                                                  |
|--------------------------------------------------|
| D. REPRESENTATIONS AND REFERENCES – 1 PAGE LIMIT |
|--------------------------------------------------|

10. Please provide three (3) references from issuers that can attest to your firm's capabilities and your firm's retail and institutional sales performance in recent municipal bond transactions. If your firm is interested in serving MFA as senior managing underwriter, at least one reference must be a Michigan issuer.
11. Describe any investigations by the Securities and Exchange Commission, or any other regulatory body or court, or pertinent litigation regarding the conduct of your firm, its management, and public finance/municipal bond department(s). Indicate whether your firm is in compliance with the State of Michigan's Executive Order 2003-1. The Executive Order can be viewed on the State's web site at [www.michigan.gov](http://www.michigan.gov). In addition, please provide a statement indicating that your firm has adopted and is adhering to the principals set forth in the agreement reached between Merrill Lynch & Co., Inc., and New York State Attorney General Spitzer, dated May 21, 2002. Detailed descriptions may be included as an appendix.

12. Describe any existing or potential conflicts of interest your firm might have in the course of service as underwriter to the MFA on behalf of the DWSD and the City. Responses should take into consideration your firm's ownership of, or services provided with respect to, outstanding DWSD and City debt and/or derivative transactions, including the potential for adjustment of such debt and/or derivative transactions pursuant to the City's draft Plan of Adjustment.
13. Describe any other conflict of interest related to your current business relationships with any entity or individual that may arise to affect your service to MFA; detail may be included as an appendix.

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| E. QUESTIONS FOR PROSPECTIVE SENIOR MANAGERS – 6 PAGE LIMIT |
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14. MFA is contemplating a revenue financing on behalf of DWSD of approximately \$150 million anticipated to close on or before June 30, 2014; resources from the SRF are being considered, which may impact the borrowing amount. Please present your primary structuring recommendation **only**, which should include a present value analysis and detail of proposed fees, including underwriting expenses with the exception of underwriter's counsel.  
Structuring Considerations
  - a. Interim financing or long-term transaction
    - i. If interim, please describe any particular considerations associated therewith.
  - b. Recommendation for a Public Offering or Private Placement
  - c. Anticipated spreads to MMD
  - d. Necessity and availability of credit enhancement
  - e. Marketing plan and proposed schedule, assuming closing on or before June 30, 2014
  - f. Other ideas and recommendations
15. Describe your firm's understanding of DWSD's operating environment and ability to serve the needs of the MFA and DWSD in general.
16. Please present any recommendations on restructuring DWSD's currently outstanding debt portfolio, taking into consideration the City's filing for bankruptcy protection under Chapter 9 and its anticipated exit in fall 2014 for both the potential creation of a regional water authority and DWSD remaining as a Department of the City. Recommendations should include all of the above factors, as well as a present value savings analysis. Please include in the discussion your firm's assessment of the existing indenture and any considerations for modifications should a restructuring occur. What potential rating implications would be associated with your firm's proposed restructuring?

17. List transactions, experience or engagements of your firm with any issuer, municipality, municipal enterprise, utility or authority involved in bankruptcy proceedings, litigation regarding default or threatened default where underwriting or related services were provided.
18. Please indicate your firm's willingness and capacity to utilize its balance sheet to facilitate or achieve the goals of the MFA, the City and DWSD with respect to this undertaking.
19. Under separate cover (excluded from page limit), provide two (2) hard copies of your firm's most recent audited annual statement of financial condition and a financial statement from your most recent quarterly reporting period. Please do not include this information in your firm's electronic version.

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| F. CONCLUSION – 1 PAGE LIMIT |
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20. Please discuss any other factors, ideas, or recommendations that you believe should be considered by Treasury, MFA, DWSD, and the City, either in the structure of its proposed undertaking , whether public offering or private placement, or as to your selection as an underwriter on the proposed undertaking.

**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 7<sup>th</sup> day of April 2014, I caused the *Objection of Assured Guaranty Municipal Corp. to Motion of the City for Approval of the Proposed Disclosure Statement* 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: New York, New York  
April 7, 2014

**CHADBOURNE & PARKE LLP**

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