

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

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In re:	:	Chapter 9
	:	
CITY OF DETROIT, MICHIGAN,	:	Case No. 13-53846
	:	
Debtor.	:	Hon. Thomas J. Tucker
	:	
	X	

**CITY OF DETROIT'S THIRD STATUS REPORT
WITH REGARD TO PREFERENCE ACTIONS**

The City of Detroit, Michigan (the "City") hereby submits its third status report (the "Third Status Report") pursuant to this Court's *Order Scheduling Further Status Conference Regarding Preference Actions, and Continuing in Effect the Provisions of the November 24, 2015 Procedures Order* (Docket No. 11594) (the "Third Procedures Order") and, in that connection, requests that the Court permit the process established by the Third Procedures Order to continue. For its Third Status Report, the City respectfully represents as follows:

BACKGROUND

1. The City filed its petition for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code") on July 18, 2013. On December 5, 2013, the Court entered an order for relief after finding that



the City was eligible to be a debtor in a chapter 9 bankruptcy case (Docket No. 1946).

2. On November 12, 2014, the Court issued an Order confirming the *Eighth Amended Plan for the Adjustment of Debts of the City of Detroit* (the “Plan”) (Docket No. 8272). On December 31, 2014, the Court entered the *Supplemental Opinion Regarding Plan Confirmation, Approving Settlements, and Approving Exit Financing* (Docket No. 8993).

3. The Plan provided, among other things, that the City would retain and enforce claims, rights and Causes of Action (as defined in the Plan), including claims to recover transfers that are avoidable and recoverable pursuant to sections 547 and 550 of the Bankruptcy Code (collectively, the “Preferential Transfers”). See Plan, Article III(D)(2).

4. The Plan expressly preserved the City’s right to assert Causes of Action on account of Preferential Transfers against 324 parties identified in the City’s nonexclusive schedule of parties against whom Causes of Action could be asserted, which schedule was filed as an exhibit to the Plan. See Plan, Exhibit III.D.2 (Docket No. 8192).

5. On December 10, 2014 (the “Effective Date”), the Plan became effective in accordance with its terms. See *Notice of (I) Entry of Order Confirming Eighth Amended Plan for the Adjustment of Debts of the City of Detroit and (II) Occurrence of Effective Date* (Docket No. 8649).

6. On February 26, 2015, the City filed the Post-Confirmation Status Report of the City of Detroit Michigan (Docket No. 9306) (the “Post-Confirmation Status Report”), which is incorporated herein by reference.

7. The Post-Confirmation Status Report stated that: (i) the City deferred the analysis of potential Preferential Transfers until after the Effective Date; (ii) only after the Effective Date was the City able to devote resources to its diligence regarding the Preferential Transfers; and (iii) as of February 26, 2015, the City had identified approximately 300 parties who had received potential Preferential Transfers.

8. Thereafter, as a result of additional diligence, the City further reduced the number of parties from whom Preferential Transfers may be recovered to approximately 185 transferees (the “Transferees” or “Defendants”).

STATUS REGARDING PREFERENCE ACTIONS

9. On November 14, 2015, the Court entered the *Order Approving Procedures for Adversary Proceedings to Avoid and Recover Preferential Transfers* (the “First Procedures Order”) (Docket No. 10280), which had been sought at the City’s request. The First Procedures Order set forth the processes and procedures intended to promote amicable resolution of adversary proceedings (the “Preference Actions”) brought in

connection with the Preferential Transfers by the City against Transferees. In addition, the First Procedures Order directed the City to file a report on the status of the Preference Actions with the Court on or before April 29, 2016, and scheduled a status conference on May 18, 2016.

10. Thereafter, in or about December 2015, the City commenced 185 Preference Actions against the Defendants, seeking the avoidance and recovery of the Preferential Transfers, pursuant to sections 547 and 550 of the Bankruptcy Code.

11. On April 29, 2016, pursuant to the terms of the First Procedures Order, the City filed and served the *City of Detroit's Status Report with Regard to Preference Actions* (Docket No. 11137) (the "First Status Report"). As set forth in the First Status Report, between December 2015 and April 2016, the City resolved 106 out of the 185 Preference Actions, whether through settlement, discontinuance or otherwise, leaving 79 remaining proceedings.

12. Following a status conference held by the Court on May 18, 2016, the Court entered the *Order Approving Procedures for Adversary Proceedings to Avoid and Recover Preferential Transfers* (the "Second Procedures Order") (Docket No. 11178). Pursuant to the Second Procedures Order, the processes and procedures which had been implemented in these proceedings pursuant to the First Procedures Order,

including the stay of Federal Rule of Civil Procedure 26(f), were to remain in effect, unless and until the Court ordered otherwise. In addition, the Court directed the City to file a status report on or before September 20, 2016, and scheduled a status conference on September 28, 2016.

13. Pursuant to the Second Procedures Order, on September 16, 2016, the City filed and served its *Second Status Report with Regard to Preference Actions* (the “Second Status Report”). As set forth in the Second Status Report, between May 2016 and September 2016, the City resolved an additional 21 actions, which reduced the number of remaining Preference Actions to 58. Included in these resolutions was the settlement of one of the City’s most heavily litigated and contentious Preference Actions.

14. On September 28, 2016, following a status conference held by the Court on that same day, the Court entered its Third Procedures Order (Docket No. 11594). Pursuant to provisions of the Third Procedures Order, the Court’s stay of discovery, as set forth in the First Procedures Order and continued in the Second Procedures Order, was continued until the Court orders otherwise. In addition, the Court directed the City to file a further status report on or before November 29, 2016, and scheduled a status conference for December 14, 2016.

15. Currently, of the 185 Preference Actions originally commenced by the City, only 37 remain pending. Thus, less than one year

since the commencement of the Preference Actions, and without having to resort to judicial intervention, formal discovery or mediation, the City has resolved 148 Preference Actions or approximately 80% of the lawsuits. Attached hereto as Exhibit "A" is a schedule identifying the resolved Preference Actions, as of November 29, 2016.

16. As to the remaining Preference Actions, three Defendants have filed motions to dismiss that are pending before the Court, and another has filed a purported "joinder." The City is actively engaged in discussions with these parties concerning a consensual resolution of their matters.

17. The City is cautiously optimistic that it is on the cusp of resolving 10 or more of the 37 remaining Preference Actions within the next few weeks. Attached hereto as Exhibit "B" is a schedule identifying the remaining Preference Actions.

B. Future Procedures

18. As set forth above, the City has made tremendous progress addressing the claims it asserted in the Preferences Actions, resolving roughly 80% in less than one year. The City continues to work with the remaining 37 Defendants to amicably conclude their Preference Actions.

19. Given the steady and meaningful progress it has made, the City believes that the process established by the Court's prior Procedures Orders has been effective in facilitating the resolution of the Preference Actions -- without the need for costly and time consuming litigation and/or third-party mediation -- and should be continued. The City submits that it should be given a further brief, but meaningful, period of additional time so it can conclude the process it undertook less than a year ago.

20. Accordingly, the City requests that the terms and conditions of the First Procedures Order (as continued by the Second Procedures Order and Third Procedures Order) should remain in effect through February 21, 2017. Thereafter, the City proposes to file a final status report with the Court, on or before February 28, 2016 (the "Final Report"), in which the City will advise the Court as to the remaining Preference Actions. Following its review of the Final Report to be filed by the City, the Court should (as it deems appropriate) enter one or more scheduling orders as to the remaining Preference Actions setting forth, among other things, fact and expert discovery deadlines, procedures for bringing motions for summary judgment, and a pre-trial conference date.

21. Based on the results it has achieved to date, the City is cautiously optimistic that during this final additional period of time it can

resolve all, or virtually all, the remaining Preference Actions, if the parties can continue their discussions without the distraction and costs of formal discovery, litigation and/or mediation.

22. The City will be prepared to discuss this Third Status Report and the remaining Preference Actions at the status conference currently scheduled for December 14, 2016.

23. A copy of this Third Status Report has been served on all Defendants listed on Exhibit "B" hereto, including their respective counsel.

Dated: November 29, 2016
New York, New York

Respectfully submitted,

TOGUT, SEGAL & SEGAL LLP
By:

/s/ Scott E. Ratner
ALBERT TOGUT (AT-9759)
SCOTT E. RATNER (SER-0015)
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*Counsel for the City of Detroit,
Michigan*

**City of Detroit, Michigan, Case No. 13-53846
Resolved Actions on or prior to 11/26/16**

	Adv Pro Number	Defendant Name
1	15-05241	1 WAY SERVICE INC
2	15-05315	1959 EAST JEFFERSON LLC
3	15-05271	A & M TRUCKING INC
4	15-05240	ABM TOTAL BUILDING SERVICE
5	15-05307	AMERICAN SUPERCONDUCTOR CORP
6	15-05301	APPLIED INDUSTRIAL TECHNOLOGIES
7	15-05339	APPLIED POWER & CONTROLS INC
8	15-05270	ARGUS GROUP INC DBA ARGUS HAZCO
9	15-05287	ARROW OFFICE SUPPLY CO
10	15-05281	ATWOOD TRUCKING CO
11	15-05324	AUDIO VISUAL EQUIPMENT & SUPPLIES
12	15-05221	BAUER & HUNTER PLLC
13	15-05235	BDM LLC
14	15-05328	BILL JOHNSON GROUP
15	15-05204	BLUE STAR INC
16	15-05294	C & H BUILDERS
17	15-05303	C E POLLARD COMPANY
18	15-05201	CADILLAC TOWER MI LLC
19	15-05274	CAMDEN INSURANCE AGENCY INC
20	15-05364	CAPP INC/CAPP USA
21	15-05184	CARMEUSE LIME INC
22	15-05273	CINTAS CORPORATION
23	15-05262	CLARK ASSOCIATES INC
24	15-05261	CLAYTON INDUSTRIES INC
25	15-05254	CLOW WATER SYSTEMS COMPANY
26	15-05268	COMMUNICATIONS PROFESSIONALS INC
27	15-05183	COMPUTECH CORPORATION
28	15-05266	COVER YOUR ASSETS LLC
29	15-05335	CRANBROOK GENERAL UNDERWRITERS AGENCY
30	15-05325	CUMMINS BRIDGEWAY LLC
31	15-05167	CW PROFESSIONAL SERVICES LLC AND COMPUWARE CORPORATION
32	15-05337	D A CENTRAL INC
33	15-05237	DAVID WM RUSKIN
34	15-05362	DCI WOLVERINE JV
35	15-05226	DECANTER MACHINE INC
36	15-05169	DEMARIA BUILDING COMPANY
37	15-05367	DETROIT ADVANCED TECHNOLOGY APPLICATION NETWORK
38	15-05192	DETROIT CONTRACTING INC LLC
39	15-05356	DETROIT RADIO TEAM
40	15-05305	DETROIT ROLLING DOOR & GATE INC
41	15-05177	DTE ENERGY
42	15-05288	E L BAILEY & CO INC
43	15-05185	EJ USA INC

**City of Detroit, Michigan, Case No. 13-53846
Resolved Actions on or prior to 11/26/16**

	Adv Pro Number	Defendant Name
44	15-05289	ELECTION SYSTEMS & SOFTWARE
45	15-05267	ELECTRONIC DATA MAGNETICS
46	15-05223	ELECTRONIC DATA SYSTEMS CORPORATION
47	15-05311	EXAMWORKS INC
48	15-05188	FARROW GROUP INC
49	15-05293	FORT WAYNE CONTRACTING INC
50	15-05343	FOSTER SWIFT COLLINS & SMITH PC
51	15-05218	FREEDMAN LESSING KUTINSKY
52	15-05173	FUTURENET GROUP INC
53	15-05174	G4S SECURE SOLUTIONS USA INC
54	15-05272	GEORGE T ROUMELL JR
55	15-05314	GILLIG CORPORATION
56	15-05175	GIORGI CONCRETE LLC
57	15-05323	GLORIA STOKES
58	15-05298	GOVERNMENTAL CONSULTANT SERVICES INC
59	15-05309	GRAINGER
60	15-05215	GREAT LAKES POWER INC
61	15-05304	GUARDIAN GUARD SERVICE INC
62	15-05330	H C M INC
63	15-05182	HERCULES & HERCULES INC
64	15-05363	HESCO HAMLETT ENGINEERING SALES COMPANY DBA HESCO
65	15-05358	HINSHON ENVIRONMENTAL CONSULTING INC
66	15-05189	HUBB SYSTEMS LLC
67	15-05186	IMPERIAL CONSTRUCTION CO
68	15-05368	Infinite Strategic Innovations, inc., d/b/a ISI
69	15-05209	INFLECTION POINT SOLUTIONS
70	15-05248	INGRAM LIBRARY SERVICES
71	15-05164	INLAND WATERS POLLUTION CONTROL INC
72	15-05179	INTERSTATE TRUCKSOURCE INC
73	15-05217	ITERIS MICHIGAN LLC
74	15-05247	J RANCK ELECTRIC INC
75	15-05278	JAMES G JOHNSON
76	15-05338	JEANETTE POWELL
77	15-05332	JEFFREY J ELLISON PLLC
78	15-05229	JENKINS CONSTRUCTION INC
79	15-05308	JIMMY SEALS
80	15-05361	JULIAN WATKINS DANIEL REID
81	15-05236	KEO AND ASSOCIATES INC
82	15-05290	KIRK'S AUTOMOTIVE INC
83	15-05249	KOTZ SANGSTER WYSOCKI & BERG PC
84	15-05176	L D' AGOSTINI & SONS INC
85	15-05253	LEXIS NEXIS
86	15-05357	LORENZO TATE
87	15-05295	MACOMB PIPE & SUPPLY

**City of Detroit, Michigan, Case No. 13-53846
Resolved Actions on or prior to 11/26/16**

	Adv Pro Number	Defendant Name
88	15-05282	MCNAUGHTON MCKAY ELECTRIC COMPANY
89	15-05250	METCO SERVICES INC
90	15-05336	MICHIGAN CAT
91	15-05300	MOORE MEDICAL CORP
92	15-05259	MORTON SALT INC
93	15-05178	MOTOR CITY PIPE & SUPPLY CO
94	15-05207	MOTOROLA SOLUTIONS INC
95	15-05316	NAPA DETROIT DISTRIBUTION and Genuine Parts Company
96	15-05234	NEW ENGLAND FERTILIZER COMPANY
97	15-05297	NEW TECHNOLOGY DEVELOPMENT LIMITED PARTNERSHIP
98	15-05214	NEXTEL COMMUNICATIONS
99	15-05227	NORTH-WEST TRADING CO
100	15-05306	NOVITEX ENTERPRISE SOLUTIONS INC
101	15-05359	NUTECH GRAPHICS & SYSTEM
102	15-05205	OAS GROUP INC
103	15-05232	OLIVE DELIVERY SERVICE LLC
104	15-05196	ORACLE CORPORATION
105	15-05296	OSBURN ASSOCIATES INC
106	15-05286	OVERDRIVE INC
107	15-05256	PES GROUP PC
108	15-05187	PLANTE & MORAN LLP
109	15-05327	PMSI INC
110	15-05224	PREVOST PARTS/PREVOST CAR INC.
111	15-05246	PROJECT INNOVATIONS
112	15-05329	RICKARD DENNEY GARNO & ASSOCIATES
113	15-05321	ROBERT W BAIRD & CO
114	15-05242	ROBINSON & ASSOCIATES PC
115	15-05228	RS TECHNICAL SERVICES INC
116	15-05230	SAFECO INSURANCE COMPANY OF AMERICA
117	15-05334	SAFETY SERVICES INC
118	15-05252	SBC GLOBAL SERVICES
119	15-05319	SBM INC
120	15-05341	SEHI COMPUTER PRODUCTS INC
121	15-05222	SEMCO ENERGY GAS CO
122	15-05181	SHRADER TIRE & OIL INC
123	15-05251	SIEMENS INDUSTRY INC
124	15-05195	SIGMA ASSOCIATES INC
125	15-05355	SMART
126	15-05302	SPRINT
127	15-05264	SPS WOODBRIDGE COMPANY LLC
128	15-05197	STRATEGIC STAFFING SOLUTIONS
129	15-05225	SYSTEMS & SOFTWARE INC
130	15-05322	TELNET WORLDWIDE INC
131	15-05280	TETRA TECH MPS

**City of Detroit, Michigan, Case No. 13-53846
Resolved Actions on or prior to 11/26/16**

	Adv Pro Number	Defendant Name
132	15-05269	TJA STAFFING SERVICES INC
133	15-05284	TMESYS INC
134	15-05165	TOOLES CONTRACTING GROUP LLC
135	15-05168	TRINITY ENVIRONMENTAL SOLUTIONS LLC
136	15-05193	TUCKER YOUNG JACKSON TULL INC
137	15-05276	VALLEY TRUCK PARTS INC
138	15-05340	VANCON INC
139	15-05279	W C DUCOMB CO
140	15-05255	WADE TRIM ASSOCIATES INC
141	15-05191	WALKERS HEATING & COOLING
142	15-05170	WASTE MANAGEMENT OF MICHIGAN INC
143	15-05326	WATERWORKS SYSTEMS & EQUIPMENT
144	15-05200	WCI CONTRACTORS
145	15-05291	WOLVERINE OIL & SUPPLY CO INC
146	15-05244	WRIGHT TOOL CO
147	15-05277	YOLANDA JOHNSON
148	15-05275	YTI OFFICE EXPRESS

City of Detroit, Michigan, Case No. 15-53846
Open Actions on or prior to 11.29.16

	Adv Pro Number	Defendant Name
1	15-05258	ABC DEMOLITION CO INC
2	15-05216	ABLE DEMOLITION INC
3	15-05299	AGAR LAWN SPRINKLER SYSTEMS INC
4	15-05331	ALEXANDER CHEMICAL CORP
5	15-05212	AMPRO CONSTRUCTION LLC
6	15-05312	APPLIED SCIENCE INC
7	15-05180	BANKSTON CONSTRUCTION INC
8	15-05238	BINKELMAN CORP
9	15-05320	BIRKS WORKS ENVIRONMENTAL LLC
10	15-05206	BOB MAXEY FORD INC
11	15-05317	CAMP DRESSER & MCKEE
12	15-05260	CDM MICHIGAN INC
13	15-05262	CLARKS CONSTRUCTION
14	15-05199	COLASANTI CORPORATION
15	15-05210	DELL COMPUTER CORPORATION
16	15-05172	DETROIT THERMAL LLC
17	15-05265	EASTERN OIL CO
18	15-05219	FEDERAL PIPE & SUPPLY INC
19	15-05202	FEDERAL SIGNAL CORPORATION
20	15-05220	FRASER TREBILCOCK DAVIS & DUNLAP PC
21	15-05198	J E ASSOCIATES INC
22	15-05231	KESSLER INTERNATIONAL
23	15-05285	KINGSWAY BUILDING & MAINTENANCE
24	15-05166	LAKESHORE ENGINEERING SERVICE INC
25	15-05318	MANNIK & SMITH GROUP INC
26	15-05292	MIKE DONNELLY ELECTRICAL COLLEGE
27	15-05245	MOTOR CITY ELECTRIC TECHNOLOGIES INC
28	15-05190	PARSONS BRINCKEROFF MICHIGAN INC
29	15-05171	PVS TECHNOLOGIES INC
30	15-05208	PYRATECH SECURITY SYSTEMS INC
31	15-5360	RE-CONSTRUCTION
32	15-05233	T & N SERVICES INC
33	15-05243	T & T BUILDERS
34	15-05257	TOTER INCORPORATED
35	15-05333	UNIGLOBE CONSTRUCTION CO
36	15-05213	UNIVERSAL SYSTEM TECHNOLOGIES INC
37	15-05239	Z CONTRACTORS INC