UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: CITY OF DETROIT, MICHIGAN,	.	Docket No. 13-53846
	.	Detroit, Michigan
	.	November 27, 2013
Debtor.	.	9:03 a.m.
. . . . .		

HEARING RE. APPLICATION PURSUANT TO SECTIONS 901, 1002 AND 1003 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 2014 FOR ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF LAZARD FRERES & CO., LLC, AS FINANCIAL ADVISOR TO THE OFFICIAL COMMITTEE OF RETIREES AS OF SEPTEMBER 3, 2013 (DOCKET 1476); MOTION FOR MODIFICATION OF AUTOMATIC STAY AND THE STAY EXTENSION ORDER (DOCKET #1377)
BEFORE THE HONORABLE STEVEN W. RHODES
UNITED STATES BANKRUPTCY COURT JUDGE

APPEARANCES:

For the Debtor:	Jones Day By: ROBERT W. HAMILTON 325 John H McConnell Blvd., Suite 600 Columbus, OH 43215 (614) 469-3939
	Miller, Canfield, Paddock & Stone, PLC By: TIMOTHY A. FUSCO 150 West Jefferson, Suite 2500 Detroit, MI 48226 (313) 496-8435
For the Official Committee of Retirees:	Dentons By: CLAUDE MONTGOMERY 1221 Avenue of the Americas New York, NY 10020-1089 (312) 632-8390

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Proceedings recorded by electronic sound recording, transcript produced by transcription service.

THE CLERK: All rise. Court is in session. Please be seated. Case Number 13-53846, City of Detroit, Michigan.

THE COURT: Good morning. I'd like to proceed first with the motion to approve the appointment of Lazard.

MR. MONTGOMERY: Good morning, your Honor. Claude Montgomery, Dentons, for the Retiree Committee. I am pleased to say that the debtor and the committee have resolved the debtor's limited objection, and we filed last night on the docket, Number 1832, a stipulation and a proposed order to which the city has consented and the fee examiner has no objection. So if we may, your Honor, we'd like you to enter that order.

THE COURT: Would anyone in the courtroom like to say anything about this?

MR. HAMILTON: Good morning, your Honor. Robert Hamilton of Jones Day on behalf of the City of Detroit. Counsel's representations are accurate. The city's objection has been resolved. There is no agreement at this time to pay a transaction fee to Lazard. Any transaction fee that is ultimately requested would be subject to the city's consent, the Retiree Committee's approval at a later time, and would be subject to the fee examiner's review for reasonableness at a later time, but at this time all of the city's objections have been resolved.

THE COURT: Thank you. Mr. Fishman, are you on the

line? I'd asked Mr. Fishman to be on the line to see if he had any comments about this. Have you all been in touch with him about this?

MR. MONTGOMERY: Your Honor, I can represent to you that Mr. Ellman from Jones Day sent the fee examiner an e-mail with the attached proposed order, and he responded that he had no objection, which is why the stipulation so indicates.

THE COURT: All right. Thank you. Is there a representative of Lazard here?

MR. MONTGOMERY: No, there is not. We advised them yesterday that the city had withdrawn its objection.

THE COURT: Well, let me put the question I would have asked to that person to you instead.

MR. MONTGOMERY: Yes, sir.

THE COURT: Can you describe in plain English that the members of the constituency that you represent will understand what it is Lazard will be doing for $125,000 a month?

MR. MONTGOMERY: $175,000.

THE COURT: $175,000 a month.

MR. MONTGOMERY: Your Honor, I can tell you with certainty that the committee spent a full day interviewing professional advisors and then more than a full committee meeting dealing with the negotiations associated with the

retention of Lazard, so I believe the committee is fully informed as to both what Lazard can do, and they have advised Lazard, in fact, I would say rather directly of their expectations of Lazard as well, your Honor.

THE COURT: Well, my question wasn't really focused so much on the committee. I'm sure they are fully advised. My question was in plain English that the constituents that they represent can understand, the retirees themselves, what Lazard is going to be doing.

MR. MONTGOMERY: I think in plain English, they are going to be trying to vet the debtor's financials and trying to help the committee and its counsel develop a financial plan that actually works for the retirees with respect to funding of the pension plans as part of a plan of arrangement and funding of the OPEB benefits as part of a plan of arrangement.

THE COURT: And approximately how many hours a month do you expect Lazard employees to be working for that monthly fee?

MR. MONTGOMERY: I have no fixed expectation in that regard, your Honor, and I don't believe the committee does either. And importantly, your Honor, in that regard, this was not an hourly engagement. Again, the committee did interview financial advisors who were willing to be engaged on an hourly basis, and their projections on a monthly basis

were substantially in excess of what Lazard is proposing to charge. In effect, your Honor, I think for the benefit of the Retiree Committee, both the advisors and the committee were looking at this as if it was a Chapter 11 style financial advisor.

THE COURT: Well, I'm sure that's so, but you're talking about public money.

THE COURT: Yes, your Honor, and, again, the committee vetted the pricing of all of the constituent -- of all of the competitors, and there were a number of competitors who were invited, many of whom are quite well-known and quite well-established, and Lazard was simply the winner on all counts. And these were both local and national firms that were involved, your Honor. And I might also add, your Honor, because you're clearly thinking about this, the safety valve of the fee examiner is obviously there, and the -- Lazard is required to agree with the fee examiner not only on the summary explanation but whatever other details short of an hourly billing arrangement that the fee examiner wants, and those conversations will happen. And given our first brush with the fee examiner, I'm confident that they will be a detailed inquiry.

THE COURT: Well, all right. I'm going to grant this but only on an interim basis. I want someone from Lazard to be here to answer these questions --

MR. MONTGOMERY: Yes, sir.

THE COURT: -- perhaps at our next hearing, which is when, Chris? December --

THE CLERK: December 16th.

THE COURT: December 16th.

MR. MONTGOMERY: I will so advise Lazard, and they will be here.

THE COURT: On an interim basis, this is approved, and we'll have a final hearing on this at that time.

MR. MONTGOMERY: Thank you, your Honor.

THE COURT: All right. Let's turn our attention to the motion for relief from stay in the Mobley matter.

MR. FUSCO: Good morning, your Honor. Timothy Fusco, Miller Canfield, for the city.

THE COURT: Who's not here?

MR. FUSCO: The ACLU or Dykema.

THE COURT: Have you had any contact with them? Are they planning to be here? Do you know?

MR. FUSCO: I have no -- I have not heard. A reply brief was filed last week, but, no, I've not heard from --

THE COURT: All right. In the circumstances, we'll pass on this matter and move on to the lighting transaction.

(Proceedings concluded at 9:11 a.m.)

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WITNESSES:

None

EXHIBITS:

None

I certify that the foregoing is a correct transcript from the sound recording of the proceedings in the above-entitled matter.

/s/ Lois Garrett December 1, 2013

Lois Garrett