

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

	x	
	:	
In re	:	
	:	Chapter 9
	:	
City of Detroit, Michigan,	:	Case No. 13-53846
	:	
Debtor.	:	Presiding: Hon. Steven W. Rhodes
	:	
	x	

**DECLARATION OF CLAUDE D. MONTGOMERY, ESQ. IN SUPPORT OF THE
SUPPLEMENTAL OBJECTION OF THE OFFICIAL COMMITTEE OF
RETIREES TO ELIGIBILITY OF THE CITY OF DETROIT, MICHIGAN TO
BE A DEBTOR UNDER CHAPTER 9 OF THE BANKRUPTCY CODE**

I, Claude D. Montgomery, Esq., hereby declare under penalty of perjury pursuant to 28 U.S.C. §1746 as follows:

1. I am a Partner at Dentons US LLP ("Dentons") and am admitted to practice in the Courts of the State of Michigan.

2. Dentons represents the Official Committee of Retirees (the "Committee"). In an order entered on August 2, 2013, the Bankruptcy Court directed the appointment of the Committee in the bankruptcy proceeding, the members of which were appointed on August 22, 2013. (Dkt. 279).

3. On July 19, 2013, the Debtor filed a Motion of Debtor for Entry of an Order (A) Directing and Approving Form of Notice of Commencement of Case and Manner of Service and Publication of Notice and (B) Establishing a Deadline for Objections to Eligibility and a Schedule for Their Consideration ("Eligibility Motion"). (Dkt. 18).

4. On August 26, 2013, the Bankruptcy Court entered an Order setting forth a discovery schedule with respect to the Eligibility Motion and setting a trial on any objections to the City's eligibility for Chapter 9 relief (the "Eligibility Objections") for October 23, 2013. (Dkt. 296).

5. On September 10, 2013, the Committee filed an Objection to the Eligibility of the City to Be a Debtor under Chapter 9 of the Bankruptcy Code (the "Committee Eligibility Objection"). (Dkt. 805).

6. On September 12, 2013, the Bankruptcy Court entered an Order establishing hearing dates of October 15 and 16 for Eligibility Objections that raise only legal issues. (Dkt. 821). Pursuant to Section VII of the Bankruptcy Court's Order, the Committee is submitting its Supplemental Objection to Eligibility of the City of Detroit, Michigan to Be a Debtor Under Chapter 9 of the Bankruptcy Code (the "Supplemental Objection").

7. Attached hereto as Exhibit A in support of the Supplemental Objection is a true and correct copy of the Deposition Transcript Excerpts for the deposition of Kevyn Orr, taken on September 16, 2013 and October 4, 2013.

8. Attached hereto as Exhibit B in support of the Supplemental Objection is a true and correct copy of the Deposition Transcript Excerpts for the deposition of Charles Moore, taken on September 18, 2013.

9. Attached hereto as Exhibit C in support of the Supplemental Objection is a true and correct copy of the Deposition Transcript Excerpts for the deposition of Lamont Satchel, taken on September 19, 2013.

10. Attached hereto as Exhibit D in support of the Supplemental Objection is a true and correct copy of the Deposition Transcript Excerpts for the deposition of Andy Dillon, taken on October 10, 2013.

11. Attached hereto as Exhibit E in support of the Supplemental Objection is a true and correct copy of the Deposition Transcript Excerpts for the deposition of Glenn Bowen, taken on September 24, 2013.

I, the undersigned, declare under penalty of perjury that the foregoing is true and correct.

Dated: October 11, 2013
New York, New York

/s/ Claude D. Montgomery
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EXHIBIT A

(Deposition Transcript of Kevyn Orr)

Page 1	Page 3
<p>1 IN THE UNITED STATES BANKRUPTCY COURT</p> <p>2 EASTERN DISTRICT OF MICHIGAN</p> <p>3 SOUTHERN DIVISION</p> <p>4</p> <p>5 In re Chapter 9</p> <p>6 CITY OF DETROIT, MICHIGAN, Case No. 13-53846</p> <p>7 Debtor. Hon. Steven W. Rhodes</p> <p>8 /</p> <p>9 VIDEOTAPE DEPOSITION</p> <p>10</p> <p>11 DEPONENT: KEVYN ORR</p> <p>12 DATE: Monday, September 16, 2013</p> <p>13 TIME: 10:08 a.m.</p> <p>14 LOCATION: MILLER CANFIELD PADDOCK & STONE PLC</p> <p>15 150 West Jefferson, Suite 2500</p> <p>16 Detroit, Michigan</p> <p>17 REPORTER: Jeanette M. Fallon, CRR/RMR/CSR-3267</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 LOWENSTEIN SANDLER LLP</p> <p>4 By: Sharon L. Levine</p> <p>5 65 Livingston Avenue</p> <p>6 Roseland, NJ 07068</p> <p>7 973.597.2374</p> <p>8 -and-</p> <p>9 AFSOME</p> <p>10 By: Michael L. Artz</p> <p>11 Tiffany Ricci</p> <p>12 1101 17th Street, NW</p> <p>13 Suite 900</p> <p>14 Washington, D.C. 20036</p> <p>15 202.775.5900</p> <p>16 Appearing on behalf of AFSOME</p> <p>17</p> <p>18 CLARK HILL PLC</p> <p>19 By: Jennifer K. Green</p> <p>20 500 Woodward Avenue, Suite 3500</p> <p>21 Detroit, MI 48226</p> <p>22 313.965.8274</p> <p>23 Appearing on behalf of Retirement Systems</p> <p>24</p> <p>25</p>
Page 2	Page 4
<p>1 APPEARANCES:</p> <p>2</p> <p>3 JONES DAY</p> <p>4 By: Gregory M. Shumaker</p> <p>5 Dan T. Moss</p> <p>6 51 Louisiana Avenue, NW</p> <p>7 Washington, D.C. 20001.2113</p> <p>8 202.879.3939</p> <p>9 Appearing on behalf of the Debtor</p> <p>10</p> <p>11 DENTONS</p> <p>12 By: Anthony B. Ullman</p> <p>13 620 Fifth Avenue</p> <p>14 New York, NY 10020.2457</p> <p>15 212.632.8342</p> <p>16 Appearing on behalf of Retirees Committee</p> <p>17</p> <p>18 COHEN WEISS AND SIMON LLP</p> <p>19 By: Peter D. DeChiara</p> <p>20 330 West 42nd Street</p> <p>21 New York, NY 10036.6979</p> <p>22 212.356.0216</p> <p>23 Appearing on behalf of UAW</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 WILLIAMS WILLIAMS RATNER & PLUNKETT PC</p> <p>4 By: Ernest J. Essad, Jr.</p> <p>5 380 N Old Woodward Ave Ste 300</p> <p>6 Birmingham, MI 48009</p> <p>7 248.642.0333</p> <p>8 Appearing on behalf of FGIC</p> <p>9</p> <p>10 SIDLEY AUSTIN LLP</p> <p>11 By: Guy S. Neal (appearing via LiveNote Streaming)</p> <p>12 1501 K St., NW</p> <p>13 Washington, D.C.</p> <p>14 202.736.8000</p> <p>15 Appearing on behalf of National Public Finance</p> <p>16 Guarantee Corp.</p> <p>17</p> <p>18 WINSTON & STRAWN LLP</p> <p>19 By: Bianca M. Forde (appearing via LiveNote Streaming)</p> <p>20 200 Park Avenue</p> <p>21 New York, NY 10166.4193</p> <p>22 212.294.4733</p> <p>23 Appearing on behalf of Assured Guaranty Municipal</p> <p>24 Corp.</p> <p>25 ALSO PRESENT: Mark Meyers, videographer</p>



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<p>Page 49</p> <p>1 A. Yes, I said that.</p> <p>2 Q. And were you writing truthfully when you said that?</p> <p>3 A. Yeah, and I think the balance of the paragraph, the</p> <p>4 news reports state that opponents of the prior law are</p> <p>5 already lining up to challenge this law. So as I just</p> <p>6 testified, this was my preliminary analysis based upon</p> <p>7 a number of sources, some of them were the news</p> <p>8 reports.</p> <p>9 Q. And you were aware in fact that as you just indicated</p> <p>10 that there were either challenges already made or that</p> <p>11 were going to be made to the law?</p> <p>12 A. I was not aware that there were challenges already</p> <p>13 made. I was aware the news report states that</p> <p>14 opponents of the prior law were already lining up to</p> <p>15 challenge the law.</p> <p>16 Q. And did you have any understanding at this time as to</p> <p>17 what those grounds of challenge were or may be?</p> <p>18 A. No. As I said, this was, you know, within the span of</p> <p>19 a day when this was going back and forth about what it</p> <p>20 may require, I was beginning to familiarize myself to</p> <p>21 some degree with the statute.</p> <p>22 Q. Your email goes on to say you're going to speak with</p> <p>23 Baird in a few minutes and see what his thinking is.</p> <p>24 A. Yes.</p> <p>25 Q. Did you speak with Mr. Baird that day?</p>	<p>Page 51</p> <p>1 potential ground for challenge, was that it allowed</p> <p>2 the governor to authorize a bankruptcy filing without</p> <p>3 imposing a condition that would prevent pension</p> <p>4 obligations from being impaired?</p> <p>5 A. I don't know if I was aware of that issue at this</p> <p>6 time, no.</p> <p>7 Q. Well, were you aware -- you became aware of it if not</p> <p>8 then at some point shortly thereafter; correct?</p> <p>9 A. Yeah, let me say this. There was no broad based</p> <p>10 concern at this point about with what the authority</p> <p>11 was with regards to pensions so any sort of</p> <p>12 insinuation that that was the focus at this point is</p> <p>13 just inaccurate. That wasn't true. This as I said</p> <p>14 before was a very cursory and initial sort of review</p> <p>15 of what I was being asked to do so when I had a</p> <p>16 discussion with Mr. Baird later I would have some</p> <p>17 information and that's what I gleaned based upon a few</p> <p>18 hours since apparently I got the call -- I was</p> <p>19 informed that day, that morning or the day before to</p> <p>20 the time I was going to have a call that afternoon.</p> <p>21 Q. But I take it at some point in time you became aware</p> <p>22 that Article 9, Section 24 of the Michigan</p> <p>23 Constitution protects pension benefits from being</p> <p>24 diminished or impaired?</p> <p>25 A. I believe at some point in time I became aware that</p>
<p>Page 50</p> <p>1 A. I don't recall, but I probably did.</p> <p>2 Q. And do you recall any discussions with Mr. Baird that</p> <p>3 day on the subject of the possibility of a Chapter 9</p> <p>4 filing by the City?</p> <p>5 A. No. I don't recall any discussions with Rich Baird</p> <p>6 about the possibility of a Chapter 9 filing at this</p> <p>7 point, no.</p> <p>8 Q. Okay. But clearly at this point in time one of the</p> <p>9 things you were focused on was the possibility of a</p> <p>10 Chapter 9 filing and the legal issues that might</p> <p>11 pertain to that as reflected in this email; correct?</p> <p>12 A. As I have said before, the issue of a Chapter 9 filing</p> <p>13 had been discussed many, many times with regard to</p> <p>14 Detroit for the better part of the prior decade, so in</p> <p>15 doing my sort of due diligence of what the statute</p> <p>16 required, part of what I was doing was reading some of</p> <p>17 those very articles that I mentioned earlier today</p> <p>18 where some of the prior City employees were</p> <p>19 recommending that there was a filing in 2005 in</p> <p>20 connection with the cops, 2006 with the cops, 2009</p> <p>21 with the SWAPs, so yes, Chapter 9 had been discussed</p> <p>22 many, many times in the papers I was reading.</p> <p>23 Q. And from all the discussions that you had to date with</p> <p>24 various people including those at Jones Day, were you</p> <p>25 aware that one of the issues with PA 436, one</p>	<p>Page 52</p> <p>1 Article 9, Section 24 purports to protect pensions and</p> <p>2 benefits in certain circumstances, yes.</p> <p>3 MR. ULLMAN: Let's mark Exhibit 5.</p> <p>4 (Marked Exhibit No. 5.)</p> <p>5 Q. Exhibit 5 is just a printout of Article 9, Section 24</p> <p>6 of the Michigan Constitution. Do you recognize it as</p> <p>7 such?</p> <p>8 A. I mean, the document speaks for itself, but that</p> <p>9 appears to be what it is, yes.</p> <p>10 Q. Okay, and I think your last answer you said that in</p> <p>11 your view Section 24, Article 9 purports to protect</p> <p>12 pensions and benefits in certain circumstances.</p> <p>13 A. Yes.</p> <p>14 Q. And are you contending that the words of Article 9,</p> <p>15 Section 24 means something other than what they say?</p> <p>16 MR. SHUMAKER: Objection, calls for legal</p> <p>17 conclusion.</p> <p>18 A. Yeah, I -- here again, I think the document speaks for</p> <p>19 itself. I think that my response to that issue is</p> <p>20 throughout the arc of my career, whether in federal</p> <p>21 government or in private practice at the Chrysler</p> <p>22 case, there have been many state laws, some of them</p> <p>23 quite sacrosanct, that have been abrogated by federal</p> <p>24 law, not just bankruptcy law. At the RTC we preempted</p> <p>25 state, New York state, rent control litigation, law;</p>



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1 wasn't. It was the Emergency Manager's duties writ
2 large.
3 Q. And when you say you were pouring over the law, you
4 yourself were doing legal analysis, reading various
5 laws; is that right?
6 A. Yes, I was trying to get background information, yes.
7 Q. And as part of that background information did you
8 read Article 9, Section 24 of the Michigan
9 Constitution?
10 A. I may have.
11 Q. Is there any question in your mind that you didn't?
12 A. I -- if you have a document to refresh my
13 recollection, I'm happy to look at it. Sitting here
14 on this day on February 20th, I don't recall whether
15 or not I read that article of the constitution.
16 Q. There's no question that at some point after February
17 20th you read Article 9, Section 24 of the Michigan
18 Constitution; correct?
19 A. My testimony is it may have been before or after the
20 20th. I don't recall whether I did that sitting here
21 today.
22 Q. Okay, but it was either one or the other, but you
23 certainly have read it?
24 A. Yes, I've read it. I read it today.
25 Q. And you read it before you became Emergency Manager;

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1 didn't you?
2 A. Yes.
3 Q. One other question on this document actually. As you
4 look at page 460, at the bottom there's a February 21
5 email.
6 A. Yes.
7 Q. And it refers to point 8 of the attachment. This
8 again has to do with the mayor's existing executive
9 team; right?
10 A. Yes.
11 Q. And in this time -- this is from Mr. Baird again;
12 right?
13 A. Yes.
14 Q. And he's really explicit. He says, other than a few
15 grammatical nits, and some more language around point
16 8, so we can manage expectations if Kevyn needs to
17 make some personnel changes. So he's clearly
18 referring here to you making personnel changes that
19 could affect the mayor's existing executive team;
20 isn't he?
21 A. Yes, this wasn't written to me, but I'll read it. I
22 mean to myself. Yes, document speaks for itself, but
23 that seems to say that.
24 Q. Isn't it clear at this point that it was envisioned
25 and understood that Kevyn Orr, you Mr. Orr, were in

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1 fact going to be the Emergency Manager for the City of
2 Detroit?
3 MR. SHUMAKER: Objection, calls for
4 speculation.
5 A. No.
6 Q. And you agree the document speaks for itself; don't
7 you?
8 A. I just said that.
9 MR. ULLMAN: Maybe this would be a good
10 time for a break.
11 THE VIDEOGRAPHER: Going off the record at
12 11:28 a.m.
13 (A brief recess was taken.)
14 THE VIDEOGRAPHER: We're back on the record
15 at 11:42 a.m.
16 BY MR. ULLMAN:
17 Q. Mr. Orr, is it correct that prior to the official
18 announcement that you said was in March -- on March
19 13th or 14th you had had conversations with the State
20 where you said that you would take the OM job -- I'm
21 sorry, the EM job?
22 A. I think at that time in all fairness it was EFM.
23 Q. Correct.
24 A. Prior to the official announcement? I think at some
25 point I became the candidate select, but I don't think

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1 that I actually accepted the job -- that I was going
2 to take the job until the day I resigned, which was
3 March 15th. I mean, I may have said yes, I'm all in
4 or something like that, subject to background
5 investigation and stuff like that.
6 Q. And that would have been sometime prior to March 13th?
7 A. I think I became the finalist sometime prior to March
8 13th, yes.
9 Q. And that's when it became final subject to passing the
10 background, yes?
11 A. Right, and resigning from the firm and some other
12 things.
13 Q. Now, at that point and time and up to the time that it
14 became official that you were going to be the EM, did
15 you have any conversations with anyone at the state or
16 city level about the possibility of the Chapter 9
17 filing?
18 A. Probably, yes.
19 Q. And can you tell me with whom those conversations took
20 place and when?
21 A. No, I don't think I had them -- those types of
22 conversations with Rich Baird, those were more about
23 the job requirements and background. If you have
24 something to refresh my recollection.
25 Q. I'm just asking a question.



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<p>Page 85</p> <p>1 we talking about from the time you became the 2 Emergency Financial Manager or the EM? In other 3 words, would it be -- are we talking about the early 4 or the late March time frame? 5 A. Yeah, I don't think after the rollout and me becoming 6 effective on the 25th, I think the new statute came 7 into play within days of that. I don't think the 8 governor and I had any discussions from the -- I'm not 9 trying to draw a gap between EFM and EM. 10 Q. So this would have been within a few weeks? 11 A. Yes. 12 Q. After you became the EM would it be fair to say by 13 then you certainly had the discussions with the 14 governor? 15 A. Yeah, but here again they weren't specific discussions 16 about pension and OPEB, they were more discussions 17 about getting to what the numbers were and the initial 18 processes of getting into the City. 19 Q. Okay. And in the course there were discussions that 20 you indicated about the possibility of filing a 21 Chapter 9? 22 A. Yes, those discussions came on later. 23 Q. And one of the things the Chapter 9 filing would 24 potentially allow you to do is get out of the pension 25 obligations; is that right?</p>	<p>Page 87</p> <p>1 A. I'm taking my time because I'm trying to remember. 2 There were a number of different analyses and briefing 3 papers and -- that would come across the desk and I'm 4 not sure any of them focused solely on state law. 5 Q. Okay. And what else -- what other law did they focus 6 on if not solely state law? 7 A. They may have focused on state law and federal law. 8 Q. So you don't recall if there was any analysis that 9 just looked at state law? 10 A. No, sitting here today, I don't recall. There may 11 have been, but I don't recall. 12 Q. And were you aware prior to the bankruptcy filing that 13 under state law alone the pension obligations could 14 not be diminished or impaired? 15 A. This is the discussion we had about five to ten 16 minutes ago about whether or not state law permitted 17 it and I will go back to my answer with that. It 18 seems to suggest a legal conclusion based upon what 19 the statute 436 provides and the intent of the 20 legislature. 21 Q. Let me ask you a different question. 22 Is there anything in PA 436 that allows in 23 your view the Emergency Manager to impact or adversely 24 affect pension rights in the absence of a Chapter 9 25 bankruptcy filing?</p>
<p>Page 86</p> <p>1 A. Yes. 2 MR. SHUMAKER: Object to form. 3 Q. Now, I take it after you became Emergency Manager you 4 explored what the issues and the options were with, 5 among other things, the pension liabilities that the 6 City faced? 7 A. Not -- no, the initial thing we started to do was to 8 try to drill down on the extent of the City's 9 financial obligations. 10 Q. That really wasn't my question. I didn't ask what the 11 first thing you did was. 12 MR. ULLMAN: So why don't you just read 13 back my question? 14 (Record read back as requested.) 15 A. At some point. 16 Q. And do you recall when -- scratch that. 17 And did you look at various options that 18 were available to you as EM to reduce the pension 19 liabilities that existed for the City? 20 A. Among other things. 21 Q. And did you look at what avenues existed under state 22 law without recourse to any federal law? In other 23 words, independent of what any federal law might 24 apply, what remedies or relief if any was available 25 under state law only?</p>	<p>Page 88</p> <p>1 MR. SHUMAKER: Objection, calls for legal 2 conclusion. 3 A. It's the same discussion we had five to ten minutes 4 ago that I want to be very careful with and I don't 5 want to draw legal conclusion that says there's 6 nothing there. It's a discussion we had about 436, 7 the intent of the legislature and Article 9. 8 Q. I'm asking independent of Article 9, Mr. Orr. Please 9 focus on the question. 10 A. I don't -- I don't understand your question because 11 parties can negotiate anything. 12 Q. I'm asking -- okay, putting aside negotiation -- 13 A. Uh-huh. 14 Q. -- I'm asking apart from the possibility of a Chapter 15 9 filing, and by the way when we talk about impair or 16 diminish, understand that if the state is impairing or 17 diminishing, it's nonconsensual. Right? That's the 18 whole point? 19 A. No, that's -- that's a conclusion that you're making. 20 Parties can agree to I am -- an impaired class can 21 agree to diminish their interests. If you're reading 22 it that way that says it's nonconsensual, that's a 23 conclusion you're drawing but the language itself -- 24 Q. We don't need to get into this. 25 A. Okay.</p>



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<p>Page 109</p> <p>1 within both pension funds, it's the level of 2 underfunding that we're talking to. 3 Q. Right. And it's the underfunding that's resulting in 4 the cuts to the retirees; correct? 5 A. Well, this is a proposal I'll say again. We have said 6 again and again we want to have a discussion so we can 7 figure out what the rightsizing is. 8 Q. Can you please just answer the question, Mr. Orr? 9 A. I am, but you say cuts, you say cuts and that has a 10 different connotation and I'm trying to explain it 11 fully. 12 Q. This proposal the benefits get cut substantially; 13 don't they? 14 A. Yes, but we need to have a discussion. 15 Q. Now, the individuals whose rights and expectations and 16 benefits are being impacted under this, they weren't 17 themselves responsible for the lack of funding that's 18 resulted in these problems; were they? 19 MR. SHUMAKER: Objection, form, foundation. 20 A. That's -- that's a loaded question about 21 responsibility and -- 22 Q. I'm asking if the individual retirees whose pensions 23 and healthcare benefits may be impacted under this. 24 A. That's a loaded question. 25 MR. SHUMAKER: Same objection.</p>	<p>Page 111</p> <p>1 propose to reduce would get a share of the note, yes. 2 Q. And is there any way to tell from this document how 3 much any individual retiree would ultimately get if 4 the notes go ahead and are issued? 5 A. Not from this document. 6 Q. There's no way to tell how much cash value any retiree 7 would receive under this plan that's laid out here 8 where they get notes? 9 A. It is my understanding that there are a number of 10 different plans and benefits and factors that go into 11 that determination for any specific retiree. 12 Q. Okay. Now, Chapter 9 is not referred to in this 13 restructuring plan; is it? 14 A. I don't think we did. 15 Q. And I think you indicated before that if this was not 16 agreed to by the various constituencies, then the only 17 way to implement this restructuring plan would be, if 18 at all, would be to try to go ahead and do that 19 through Chapter 9; is that right? 20 A. I think what I said before, I think you're referring 21 to the May 12th 45-day operating plan, but I think 22 what I said before on June 10th and June 14th is we 23 needed to engage in a dialogue, because we didn't want 24 to go to Chapter 9. 25 MR. ULLMAN: That wasn't my question. Can</p>
<p>Page 110</p> <p>1 A. I'm going to be very careful here because while 2 recognizing that these are typically rank and file 3 employees, there's a whole bunch of issues regarding 4 responsibility and some of it has been written about 5 quite extensively. 6 Q. And you're aware that at least the vast majority of 7 the City employees, the retirees, count on their 8 pension and healthcare benefits in order to help make 9 ends meet? 10 A. I don't know if I'm aware of that as a fact. I know 11 certainly that pensions are important to retirees. 12 Q. Now, going back to page 98 of this restructuring 13 proposal, you pointed to a box -- 14 A. Yes. 15 Q. -- that shows a very large unsecured claim amount for 16 unsecured pension and OPEB? 17 A. Yes. 18 Q. And that's 9.2 billion? 19 A. Yes. 20 Q. And as I understand this proposal, the retirees who 21 fall into this category whose pensions and healthcare 22 benefits are being cut back by this would end up with 23 unsecured claims and get a share of the notes that the 24 City is intending to issue; is that right? 25 A. The retirees whose pensions and healthcare benefits we</p>	<p>Page 112</p> <p>1 you read my question back? 2 (Record read back as requested.) 3 A. Yeah, I indicated that here today. 4 Q. I'll just ask the question again. As you understood 5 it, if the proposal here were not agreed to or some 6 other consensual resolution was not reached, was there 7 any way for you as Emergency Manager to implement this 8 plan other than to try to get it put in place through 9 a Chapter 9 filing? 10 A. Subject to the discussion that we've had a couple of 11 times earlier today, what I have said is that Chapter 12 9 is an option to achieve these goals. 13 Q. And were you at this point aware of any option to 14 achieve these goals other than Chapter 9 if a 15 consensual resolution was not reached? 16 A. There were various briefing memos and discussions, but 17 given the time frames that we were under, and I said 18 this at the June 10th meeting and I said it at the 19 June 14th meeting and I want to be responsive, that if 20 we didn't, Chapter 9 was an alternative. 21 Q. And I don't think that's fully responsive at this 22 point. Had you identified anything else as of June 14 23 to get this plan implemented, any other course, 24 putting aside consensual resolution, other than a 25 chapter 9 file?</p>



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<p style="text-align: right;">Page 113</p> <p>1 A. Nothing that would give us an orderly and 2 comprehensive resolution of these problems. 3 Q. Now, you gave an interview, that I'm sure you're 4 familiar with, with the Detroit Free Press on or 5 around June 14th. Do you remember it? I'll just tell 6 you what -- I believe you said -- and I'm sure you 7 remember this one and you can tell me. If not, I have 8 the quote. 9 A. Yeah, you can give me the quote. There's so many 10 interviews, but I'll trust your quote. 11 Q. Okay. 12 A. Okay. 13 Q. This is the quotation. Question, you said in this 14 report, referring to the June 14th proposal, that you 15 don't believe there is an obligation under our state 16 constitution to pay pensions if the City can't afford 17 it? Answer, the reason we said it that way is to 18 quantify the bankruptcy question. We think federal 19 supremacy trumps state law. 20 A. Yes. 21 Q. You don't deny making that statement? 22 A. No, I think I've said that several times. 23 Q. And the state law you were referring to that you 24 referred to as being trumped was Article 9, Section 24 25 of the state constitution; is that right?</p>	<p style="text-align: right;">Page 115</p> <p>1 A. Yes. 2 Q. I'm just going to put these letters into the record so 3 we have them. 4 A. Okay. 5 Q. I'm not sure I'm going to ask you much about them. 6 The first one is what we're going to mark 7 as Exhibit 10. 8 (Marked Exhibit No. 10.) 9 Q. This is 10. This is 10. 10 A. Thank you. 11 MR. ULLMAN: And I might as well mark 11 12 also. They kind of go together. 13 THE WITNESS: Okay. 14 (Marked Exhibit No. 11.) 15 Q. Okay, what we've marked as Exhibits 10 and 11 16 respectively are the July 16th, 2013 letter from you 17 to the governor and to the treasurer and then the 18 governor's response letter of July 18, 2013. 19 A. Yes. 20 Q. And you're obviously familiar with these documents? 21 A. Yes. 22 Q. And you wrote Exhibit 10, you signed it at least? 23 A. Yes. 24 Q. And Exhibit 11 is the governor's response; correct? 25 A. Yes.</p>
<p style="text-align: right;">Page 114</p> <p>1 A. I believe so. 2 Q. There's no other state law that you view as relevant 3 to the pension issue; is there? 4 A. Subject to the discussions that we had earlier today. 5 Q. As being trumped? There's no other state law that you 6 regarded as being trumped; is there? 7 A. No, there's no other as being trumped. 8 Q. Trumped. 9 A. Right. 10 Q. So the answer to my question -- just so the record is 11 clear, the answer to my question is no other? 12 A. We're not referring to another state law. 13 Q. Okay, thank you. 14 A. Okay. 15 Q. Now, ultimately -- so when the subsequent bankruptcy 16 filing was made -- which it was; right? 17 A. Yes. 18 Q. The intention -- specific intention was indeed to 19 trump Article 9, Section 24 of the state constitution; 20 correct? 21 A. That wasn't the only intention. 22 Q. But that was an intention; was it not? 23 A. That was one of the objectives. 24 Q. Now, ultimately you did request authorization for the 25 governor to file; right?</p>	<p style="text-align: right;">Page 116</p> <p>1 Q. Now, did you have discussions with the governor's 2 office or anyone on the governor's team leading up to 3 the request letter that you sent in? 4 MR. SHUMAKER: Objection to form. 5 A. Leading up to? 6 Q. Yeah, before. 7 A. Before that. I think there were discussions with the 8 treasurer and even the governor that if we weren't 9 making progress on negotiations, I might have to 10 submit the letter. 11 Q. Okay. And in those conversations was there any 12 mention of the impact that the bankruptcy filing might 13 have or was intended to have as regards the pension 14 benefits? 15 A. Probably, yes. 16 Q. And do you recall anything specific about that? 17 A. I -- um -- as I said, I had regular meetings of the 18 governor and his staff, we probably discussed this. I 19 don't recall a specific discussion. 20 Q. Do you recall telling the governor and his staff in 21 general that one of the purposes, I'm not saying the 22 only purpose, one of the purposes or intentions of the 23 Chapter 9 filing would be to allow you to cut back the 24 pension benefits? 25 A. Yeah, I don't want to give the misimpression that that</p>



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<p style="text-align: right;">Page 117</p> <p>1 was the singular focus. I think most of our 2 discussions were about the need for the City to deal 3 overall with its balance sheet and its obligations, 4 which would include pensions. 5 MR. ULLMAN: Uh-huh. Okay, can you read my 6 question back? Listen a little more closely because I 7 was really -- it was a little more specific of a 8 question. 9 THE WITNESS: Okay. 10 (Record read back as requested.) 11 A. We probably had that discussion. I don't recall 12 anything specific, but we probably did. 13 Q. And do you recall any discussion during those same 14 conversations with the governor or anyone from his 15 staff as to the impact, if any, of Article 9, chapter 16 -- Section 24 of the Michigan Constitution as regards 17 pension benefits? 18 A. I don't recall having discussions in that regard. No. 19 Q. Now, if you look at the governor's response letter, 20 okay, and the last page, you see at the top there's a 21 heading called contingencies? 22 A. Yes. 23 Q. And it says 2012 PA 436 provides that my approval of 24 the recommendation to commence a Chapter 9 proceeding 25 may place contingencies on such a filing and it gives</p>	<p style="text-align: right;">Page 119</p> <p>1 pensions? 2 A. I was concerned about all contingencies. I didn't 3 know what the governor was going to say. 4 Q. That's really not my question. Can you read my 5 question? 6 A. Yes, I was concerned about all of them. That's what I 7 said. 8 Q. And that includes specifically the one about not being 9 able to affect the pensions; correct? 10 A. All contingencies. 11 Q. Thank you. 12 Had you discussed within your staff the 13 possibility of the governor putting a contingency that 14 would prohibit the Emergency Manager from taking 15 actions that would impair pensions? 16 A. My staff, including my legal counsel and consultants, 17 the entirety of staff at large? 18 Q. Yes. 19 A. Yes. 20 Q. And did you view the risk as substantial, that the 21 governor was going to do that? 22 A. Without disclosing any attorney-client confidences, I 23 don't know if we handicapped the risk. It was just a 24 general discussion. I had submitted a letter, I 25 wasn't sure what I was going to get back.</p>
<p style="text-align: right;">Page 118</p> <p>1 the citation. It continues, I am choosing not to 2 impose any such contingencies today. Federal law 3 already contains the most important contingency, a 4 requirement that the plan be legally executable, 5 11 U.S.C. Section 943(b)(4). Do you see that? 6 A. Yes. 7 Q. And did you have any discussions with the governor or 8 anyone from his staff about that language before you 9 received this letter back? 10 A. No. 11 Q. Were you -- did you have any understanding before 12 receiving this that as to whether or not the governor 13 was going to place any contingencies on the bankruptcy 14 filing? 15 A. No, but I was concerned about it. 16 Q. And what were you concerned about? 17 A. I was concerned that the governor might place some 18 contingency in any regards, not just related to the 19 pensions and others, but that the inner array on 20 limiting what authority I might have would impact what 21 discretion I would have under either 436 or Chapter 9. 22 I was just concerned about contingencies. 23 Q. And was one of the contingencies that you were 24 concerned about the contingency that could impair your 25 ability or restrict your ability to cut back the</p>	<p style="text-align: right;">Page 120</p> <p>1 Q. And did you have any plan in place as to what you 2 would do if the letter came back that imposed a 3 contingency that in any Chapter 9 filing nothing could 4 be done that would affect pension rights that were 5 protected under the Michigan Constitution? 6 A. No. 7 Q. Now, in his letter the governor -- the portion we've 8 just looked at on the back of page 5, the governor 9 says, having a legally executable plan under Section 10 943(b)(4). That's a reference, 943(b)(4), the 11 bankruptcy code; isn't it? 12 A. I believe so. 13 Q. So he says, he the governor says, having a legally 14 executable plan under Section 943(b)(4) of the 15 bankruptcy code is a contingency for Detroit's filing 16 a bankruptcy petition. Correct? 17 MR. SHUMAKER: Objection, document speaks 18 for itself. 19 A. That's -- I was going to say the document speaks for 20 itself. You're sort of reading it, you know, just 21 inverting it, but it says federal law already contains 22 the most important contingency requirement that the 23 plan is legally executable. 24 Q. Right. And this is in the context of him asking or 25 noting that under PA 436 he could, he the governor,</p>



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<p>1 to issue a TRO prohibiting the bankruptcy filing from</p> <p>2 taking place?</p> <p>3 A. I heard that after the fact, yes.</p> <p>4 Q. And are you aware that these objectors have stated</p> <p>5 that in fact the state lawyers asked for a short delay</p> <p>6 before the ruling was issued so they could get the</p> <p>7 bankruptcy filing in before the judge came down with a</p> <p>8 TRO?</p> <p>9 A. I don't know if I heard it -- I may have read that</p> <p>10 later. I don't know if I heard it.</p> <p>11 Q. Did you have any involvement in those actions?</p> <p>12 A. No, no.</p> <p>13 Q. Do you deny that that's what occurred?</p> <p>14 A. I only know what I've heard and I have no personal</p> <p>15 knowledge, I just know what I've heard and what I've</p> <p>16 read.</p> <p>17 Q. And isn't it correct that you wanted to get the</p> <p>18 bankruptcy petition filed as soon as possible because</p> <p>19 you knew there was a risk that the state might rule it</p> <p>20 was illegal -- the state court might rule it was</p> <p>21 illegal under state law for the bankruptcy proceeding</p> <p>22 to be filed?</p> <p>23 A. No, that wasn't the reason.</p> <p>24 Q. Is there a particular reason that the bankruptcy</p> <p>25 filing was made at 4:06 in the afternoon of the same</p>	<p>1 A. No.</p> <p>2 Q. And you have not taken any steps to stop the</p> <p>3 bankruptcy proceeding from going forward; have you?</p> <p>4 A. No.</p> <p>5 MR. ULLMAN: Would this be a good time to</p> <p>6 stop for lunch, a quick lunch?</p> <p>7 MR. SHUMAKER: Sure.</p> <p>8 MR. ULLMAN: I'm ready to continue but I</p> <p>9 know --</p> <p>10 THE WITNESS: You got another -- how much</p> <p>11 -- do you have another line of inquiry? Whatever</p> <p>12 everybody --</p> <p>13 MR. ULLMAN: I'm about to switch subject</p> <p>14 matters.</p> <p>15 THE VIDEOGRAPHER: Going off the record at</p> <p>16 12:52 p.m.</p> <p>17 (Luncheon recess between</p> <p>18 12:52 p.m. and 1:30 p.m.)</p> <p>19 THE VIDEOGRAPHER: We're back on the record</p> <p>20 at 1:35 p.m.</p> <p>21 BY MR. ULLMAN:</p> <p>22 Q. Welcome back, Mr. Orr.</p> <p>23 A. Good afternoon.</p> <p>24 Q. One other question about the June 14th proposal.</p> <p>25 Referring to page 98, we talked about the defined</p>
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<p>1 day a TRO was being heard in the state court other</p> <p>2 than to get the jump on the state court ruling?</p> <p>3 MR. SHUMAKER: Object to the form.</p> <p>4 A. Not to the best of my knowledge.</p> <p>5 Q. Now, you're aware that the state court in that</p> <p>6 litigation in fact later issued a ruling that PA 436</p> <p>7 is unconstitutional to the extent that it authorizes a</p> <p>8 proceeding under Chapter 9 in the way that could</p> <p>9 threaten to impair or diminish accrued pension</p> <p>10 benefits?</p> <p>11 A. Yes, I was informed that there are I believe three</p> <p>12 TROs after the bankruptcy filing.</p> <p>13 Q. And you have proceeded with the bankruptcy petition</p> <p>14 notwithstanding; correct?</p> <p>15 A. Well, the bankruptcy petition had been filed. There</p> <p>16 were open questions about the application of the stay.</p> <p>17 There was also a question about an appeal, which was</p> <p>18 taken up I believe by the Attorney General's office.</p> <p>19 So when you say you proceeded with the petition, we</p> <p>20 filed the petition, there was a ruling, and there were</p> <p>21 appeals.</p> <p>22 Q. Okay. And in light of the state court ruling that</p> <p>23 PA 436 was unconstitutional, you did not take any</p> <p>24 steps to withdraw the bankruptcy petition from filing;</p> <p>25 did you?</p>	<p>1 contribution benefit plan?</p> <p>2 A. Yes.</p> <p>3 Q. Okay. Is it correct that under that plan</p> <p>4 contributions are being made only for people who would</p> <p>5 be current City employees?</p> <p>6 A. Will the plan be closed?</p> <p>7 Q. Yes.</p> <p>8 A. Yes, I believe so.</p> <p>9 Q. So under the restructuring plan there would be no</p> <p>10 pension contributions made for retirees; correct?</p> <p>11 A. I believe that's correct.</p> <p>12 Q. Now, you I believe said that the June 14th proposal</p> <p>13 was presented at a meeting to representatives of</p> <p>14 various creditors, I think you said that in your</p> <p>15 declaration?</p> <p>16 A. On June 14th, yes.</p> <p>17 Q. Okay. Did you speak at that meeting?</p> <p>18 A. Yes.</p> <p>19 Q. And who else spoke?</p> <p>20 A. I believe all -- several members of our team, I</p> <p>21 believe it was Mr. Heiman, David Heiman, I believe it</p> <p>22 was Ken Buckfire, I believe Heather Lennox was on, I</p> <p>23 believe Bruce Bennett was there, I believe Ken</p> <p>24 Buckfire may have spoken. I'm trying to recall if</p> <p>25 there was anyone else.</p>



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<p style="text-align: right;">Page 141</p> <p>1 of letters of what could be addressed based upon our</p> <p>2 June 14th proposal.</p> <p>3 Q. Okay. And with whom were those discussions? Which</p> <p>4 groups? You said you met with one or two groups or</p> <p>5 you were aware of meetings with one or two groups.</p> <p>6 A. I think those are confidential, because as I said,</p> <p>7 those discussions are ongoing, so I don't want to</p> <p>8 interfere with settlement negotiations or breach</p> <p>9 confidentiality so I'm reluctant to answer your</p> <p>10 question.</p> <p>11 Q. Okay, well, will you answer my question or will you</p> <p>12 not?</p> <p>13 A. I don't think I can. I think they're supposed to be</p> <p>14 confidential.</p> <p>15 Q. Well, you know, you have to answer the question unless</p> <p>16 your counsel instructs you not to.</p> <p>17 MR. SHUMAKER: If you think it's going to</p> <p>18 reveal privileged communications, I'm going to</p> <p>19 instruct you not to answer.</p> <p>20 THE WITNESS: I'll be -- I don't know so</p> <p>21 much -- can I consult with my counsel?</p> <p>22 MR. ULLMAN: Yes.</p> <p>23 THE WITNESS: Can we go off the record?</p> <p>24 MR. ULLMAN: Yes.</p> <p>25 THE WITNESS: Let's step out.</p>	<p style="text-align: right;">Page 143</p> <p>1 saying June.</p> <p>2 A. July.</p> <p>3 Q. As of July 17th, you had not received any actual</p> <p>4 proposal outside possibly with the settlement</p> <p>5 discussions you were talking about from any union or</p> <p>6 retiree association; is that right?</p> <p>7 A. Outside of those settlement negotiations --</p> <p>8 Q. Yes.</p> <p>9 A. -- that is correct.</p> <p>10 Q. Now, as of July 17, had the City told any union or</p> <p>11 retiree association that it would in fact be willing</p> <p>12 to proceed with the restructuring on terms that did</p> <p>13 not include the elimination of ongoing pension</p> <p>14 contributions for retirees?</p> <p>15 A. When you mean the City, you mean all of my consultants</p> <p>16 and others; correct?</p> <p>17 Q. Yes.</p> <p>18 A. There may have been discussions in that regard. I</p> <p>19 think I recall hearing that there was -- I can't</p> <p>20 recall a specific meeting, a discussion about how that</p> <p>21 would be arranged, but I'm not sure.</p> <p>22 Q. So you personally did not make any such statement; did</p> <p>23 you?</p> <p>24 A. Statement about?</p> <p>25 Q. Saying to anyone -- to any union or retiree</p>
<p style="text-align: right;">Page 142</p> <p>1 THE VIDEOGRAPHER: Going off the record at</p> <p>2 1:53 p.m.</p> <p>3 (A brief recess was taken.)</p> <p>4 THE VIDEOGRAPHER: We're back on the record</p> <p>5 at 1:57 p.m.</p> <p>6 BY MR. ULLMAN:</p> <p>7 Q. Okay, will you answer my question, Mr. Orr?</p> <p>8 A. No, I think this is -- concerns commercially sensitive</p> <p>9 potentially confidential settlement negotiations and</p> <p>10 implicates the attorney-client privilege so I cannot</p> <p>11 answer your question.</p> <p>12 Q. Okay, so apart from the discussions that you won't</p> <p>13 tell me about, would the City actually sit down with</p> <p>14 any union or retiree association in an attempt to</p> <p>15 reach an agreement on a structuring plan on terms that</p> <p>16 are different than the terms set out in the June 14th</p> <p>17 proposal as of July 17th?</p> <p>18 A. As I said before, subject to the meetings we've had,</p> <p>19 we've exchanged information which may constitute the</p> <p>20 type of sit down you're talking about. Other than the</p> <p>21 ones that have been recounted and phone calls and</p> <p>22 meetings I may not be aware of, this is what I know in</p> <p>23 my declaration.</p> <p>24 Q. And as of June 17th then, I take it you had not</p> <p>25 received any actual proposal -- I'm sorry, I keep</p>	<p style="text-align: right;">Page 144</p> <p>1 association that the City would in fact be willing to</p> <p>2 agree to a restructuring that did not involve the</p> <p>3 elimination of ongoing pension contributions for</p> <p>4 retirees.</p> <p>5 A. No, I didn't say that.</p> <p>6 Q. And do you know in fact whether anyone working on your</p> <p>7 team ever said that to any union or retiree</p> <p>8 association?</p> <p>9 A. No.</p> <p>10 Q. Okay. During the time from June 14th to July 17, did</p> <p>11 you or anyone else from your team tell any union or</p> <p>12 retiree association that the City acknowledged that</p> <p>13 under Michigan law pension rights were explicitly</p> <p>14 protected from being impaired or diminished?</p> <p>15 A. I don't --</p> <p>16 MR. SHUMAKER: Objection, form, calls for</p> <p>17 speculation.</p> <p>18 A. I don't recall anyone saying that, but it may have</p> <p>19 happened.</p> <p>20 Q. But you personally didn't make that statement; did</p> <p>21 you?</p> <p>22 A. I don't recall saying that. I may -- you know,</p> <p>23 anything is possible, I just don't recall saying it.</p> <p>24 Q. And as of July 17, had the City, you or anyone working</p> <p>25 for you, told any union or retiree association that it</p>



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<p style="text-align: right;">Page 145</p> <p>1 would in fact be willing to agree to a restructuring 2 plan that did not effectively eliminate the prior 3 existing health benefits for retirees? 4 MR. SHUMAKER: Objection, foundation, calls 5 for legal speculation. 6 A. Healthcare benefit for retirees? 7 Q. Yeah. 8 A. That did not eliminate it? 9 Q. Yeah, that you -- 10 A. Did not adjust it in some fashion? 11 Q. Did not essentially cut it out the way it was being 12 cut out in the June 14th proposal. 13 A. Yeah, I want to be careful with the frame cut out, 14 because I think there were subsequent discussions 15 about what would be provided instead -- 16 Q. Uh-huh. 17 A. -- as a proposal, so I don't want my testimony to seem 18 as if we were not proposing an alternative to the 19 existing healthcare plan and that had not been 20 discussed prior to July 17th, but subject to those 21 qualifications the answer to your question is yes. 22 Q. Now, I've been asking you as of July 17 and then the 23 bankruptcy filing was the very next day; correct? 24 A. Yes. 25 Q. Now, in your declaration do you recall making</p>	<p style="text-align: right;">Page 147</p> <p>1 A. Yeah, I don't think that was just a function of press 2 reports, I think that was relayed to me upon my 3 information and belief by others as well. 4 Q. Upon your information and belief sounds like you 5 didn't hear it personally? 6 A. No, I just don't recall whether I heard it personally. 7 I have heard it personally in other meetings from 8 union representatives prior to July 17th, sure. 9 Q. With respect to the statements that you quote in the 10 newspaper, those are just newspaper reports; right? 11 A. Well, if they're newspaper -- they speak for 12 themselves if they're newspaper reports, but have I 13 heard that from union representatives? 14 Q. I'm -- 15 A. I'm responding to your question. Have I heard that 16 from union representative? Yes. 17 Q. I'm going to get these in two phases; okay? 18 A. Okay. 19 Q. For the newspaper reports, you're relying on what was 20 said in the newspaper? 21 A. Yes. 22 Q. So you have no personal knowledge as to whether the 23 quotation in the newspaper was accurate or anything 24 like that? 25 A. Unless I was there, I'm not the reporter, yes.</p>
<p style="text-align: right;">Page 146</p> <p>1 statements to the effect that there were expressions 2 by certain union representatives that they would not, 3 and I quote, countenance discussions over proposals to 4 modify either retiree healthcare or pensions? 5 A. Yes, I think those are quite publicly stated. 6 Q. And you refer in your declaration to newspaper reports 7 from June 20 and 21? 8 A. Yes, and I'm trying to recall if people said that to 9 me personally as well. Yes, but I do recall the press 10 reports, yes. 11 Q. And those are in fact press reports that you referred 12 to as you said? 13 A. Yeah, but I think -- and I'm just -- was your question 14 asked about union representatives or union members? 15 Q. Union representatives. 16 A. Could that include members? 17 Q. I'm not asking about people who are just members and 18 not officials in the union. 19 A. So you're talking about union officials? 20 Q. Union officials. 21 A. Okay. That they would not countenance any change 22 to -- 23 Q. I think the language from your declaration is that 24 they would not countenance discussions over proposals 25 to modify either retiree healthcare or pensions.</p>	<p style="text-align: right;">Page 148</p> <p>1 Q. Now, what statements were made to you outside of what 2 you read in the newspaper? 3 A. Quite early on I had heard from union representatives, 4 I believe at DFFA, DPLSA, DPOA, I'm not sure it 5 includes AFSCME, UAW, but I had heard statements in 6 that regard in many of the meetings that I've had with 7 them previously prior to July 17th. 8 Q. And did they specifically -- what statements, saying 9 specifically what? 10 A. Generally -- you know, I don't know the exact quotes, 11 but generally speaking what I said. They would not 12 countenance cuts to healthcare and benefits. 13 Q. That wasn't actually what you said in your 14 declaration. 15 A. That's what I said generally. 16 Q. What you said in your declaration is they would not 17 countenance discussions over proposals to modify 18 either retiree healthcare or pensions. 19 A. Yeah, healthcare, okay, yes. 20 Q. So who said what -- I would like to know specific as 21 to who said what to you when? 22 A. As I said, I had meetings early on with DFFA, I don't 23 recall the specific members, but I recall the meeting, 24 they were quite heated. Might have been one with 25 Mr. McNamara, Mr. Shinsky and others. I've had many</p>



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<p style="text-align: right;">Page 165</p> <p>1 Q. But that's never been subject to an audit; has it?</p> <p>2 A. To the best of my knowledge I don't know when they</p> <p>3 have or when they haven't.</p> <p>4 Q. Okay. And I think you indicated that in coming up</p> <p>5 with these figures various people were consulted in</p> <p>6 various fields and a number of assumptions were made;</p> <p>7 is that right?</p> <p>8 A. I believe so.</p> <p>9 Q. And I think you also indicated in your structuring</p> <p>10 proposal from June 14th that the numbers are subject</p> <p>11 to various assumptions which could or could not prove</p> <p>12 right; correct?</p> <p>13 A. Well, I think in June 14th we've said that it's a</p> <p>14 proposal and there may be various issues that may or</p> <p>15 may not be correct.</p> <p>16 Q. Yeah. Okay, and obviously if any of the assumptions</p> <p>17 that went into the underlying numbers that appear in</p> <p>18 your declaration are wrong, then the numbers</p> <p>19 themselves would also be subject to inaccuracy; true?</p> <p>20 A. Let me say this about that. Both in June 14th</p> <p>21 presentation and in this declaration, we've tried to</p> <p>22 present an accurate picture of the City's books and</p> <p>23 records and status to the best extent possible that we</p> <p>24 have. Where there were questions we have tried to err</p> <p>25 on the side of reasonable assumptions as opposed to</p>	<p style="text-align: right;">Page 167</p> <p>1 were monetized, that would provide additional cash to</p> <p>2 pay obligations including retirement and health</p> <p>3 obligations; correct?</p> <p>4 A. Well, additional cash from onetime asset sales may not</p> <p>5 necessarily equal cash flows. As I understand the</p> <p>6 analysis we've tried to present is cash flows based</p> <p>7 upon a recurring basis as opposed to onetime assets</p> <p>8 but it would yield additional cash.</p> <p>9 Q. Yes. If you sold an asset and had money, you would</p> <p>10 have the money available to pay something?</p> <p>11 A. Yeah, you might have a onetime -- I'm not an</p> <p>12 accountant, but you might have a onetime cash charge,</p> <p>13 yes.</p> <p>14 Q. And if the cash, the amount you got was large, it</p> <p>15 could last for a long period of time; correct?</p> <p>16 A. Well, it depends upon what --</p> <p>17 MR. SHUMAKER: Objection, form.</p> <p>18 A. Depends upon what it was used for. I mean, what are</p> <p>19 you talking about? When you say could last for a long</p> <p>20 period of time, it could be a one -- you could sell</p> <p>21 one asset for \$5 million and that wouldn't last a</p> <p>22 month.</p> <p>23 Q. Yes, and depending on the amount of assets that were</p> <p>24 sold, if you got a substantial amount of money, that</p> <p>25 could enable the City of Detroit to pay ongoing bills</p>
<p style="text-align: right;">Page 166</p> <p>1 unreasonable assumptions either way. But your general</p> <p>2 question as to whether or not if the information going</p> <p>3 in was inaccurate, revealed an inaccurate result, I</p> <p>4 think it's true as a matter of just common sense and</p> <p>5 logic.</p> <p>6 Q. And the same thing as to assumptions. If the</p> <p>7 assumption made was wrong, then the output would be</p> <p>8 wrong also?</p> <p>9 A. I think that's why we asked several times to have a</p> <p>10 discussion about the assumptions that are necessary</p> <p>11 for pension benefits.</p> <p>12 Q. Now, the cash flows that are being reported in your</p> <p>13 declaration, those do not include any assumptions as</p> <p>14 to the monetization of various assets that the City</p> <p>15 continues to hold; is that right?</p> <p>16 MR. SHUMAKER: This is paragraph 56 that</p> <p>17 you're referring to, counsel?</p> <p>18 MR. ULLMAN: Yeah, I'm looking in general.</p> <p>19 MR. SHUMAKER: In cash flow?</p> <p>20 MR. ULLMAN: Yeah, cash flow.</p> <p>21 A. You're talking about generally do the cash flows</p> <p>22 include any monetization of any City assets?</p> <p>23 Q. Yeah.</p> <p>24 A. No, they do not.</p> <p>25 Q. And obviously if assets currently held by the City</p>	<p style="text-align: right;">Page 168</p> <p>1 for some period of time; true?</p> <p>2 MR. SHUMAKER: Objection to form.</p> <p>3 A. Here again, depending upon the size of the asset, but</p> <p>4 anything is possible.</p> <p>5 Q. Okay. Now, the City of Detroit owns certain pieces of</p> <p>6 art that are stored at the Detroit Institute of Art;</p> <p>7 is that right?</p> <p>8 A. Yes.</p> <p>9 Q. And how many is that?</p> <p>10 A. I think the City owns approximately 66,000 pieces of</p> <p>11 art.</p> <p>12 Q. Now, those --</p> <p>13 A. No, strike that. Let me be clear so we can move on.</p> <p>14 Q. Yeah.</p> <p>15 A. I think there are 66,000 pieces of art over at Detroit</p> <p>16 Institute of Art. I'm not sure the City owns all</p> <p>17 66,000 pieces. I've been informed that it owns 35,000</p> <p>18 of those pieces in an undisputed capacity.</p> <p>19 Q. Okay, that's what I was getting at. And that's</p> <p>20 distinct from art that is subject to a public -- or is</p> <p>21 or may be subject to a public trust or something like</p> <p>22 that. This is 35,000 pieces that the City owns, as</p> <p>23 you said, in an undisputed capacity?</p> <p>24 A. Outright, yes.</p> <p>25 Q. Outright. Now, is it correct that the City has</p>



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1 retained Christie's to appraise this City-owned art?
2 A. Yes.
3 Q. And have you gotten back any information yet from
4 Christie's as to the appraised value?
5 A. No.
6 Q. And do you have any understanding as to the value of
7 the appraised -- of the art that's being appraised
8 independent of what -- of Christie's as a source?
9 A. Only what I've read in various news articles and
10 blogs.
11 Q. And I think you've seen press reports indicating that
12 for some of the most important works alone the value
13 could be at least 2.5 billion or something on that
14 order?
15 A. We talked about press reports earlier and I was
16 cautioned to be careful so I'm going to say the same.
17 Q. I'm just asking.
18 A. I'm trying to respond to your question. I'm going to
19 say the same thing about press reports here. I have
20 seen press reports reporting various values for the
21 art.
22 Q. And have you seen press reports reporting for the most
23 important pieces alone values on the order of
24 2.5 billion?
25 A. I don't recall if I've seen those specific press

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1 reports.
2 Q. Do you have any reason to believe that the value of
3 the City-owned art is less than something on that
4 order of magnitude?
5 A. I'm relatively agnostic on the value of the art at
6 this point. I'm waiting to see the appraisal.
7 Q. Do you have any understanding as you sit here today as
8 to what the value of the City-owned art is?
9 A. No.
10 Q. Are you considering selling the City-owned art to
11 generate cash?
12 A. What I've said consistently is all options on the
13 table, but we first have to decide what we're talking
14 about.
15 Q. Do you have any understanding as to how long it would
16 take to sell the art if a decision were made to sell
17 it?
18 A. No.
19 Q. Have you considered other ways to monetize the art
20 besides an outright sale?
21 A. All options are on the table.
22 Q. Well, have you considered any others in particular?
23 A. We have not made -- meaning my team and I have not
24 made any decisions with regard to the art contained at
25 DIA.

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1 Q. I'm not asking about decisions, I'm just asking what
2 you considered.
3 A. We considered a lot of things, yes.
4 Q. And have you -- well, then can you answer my question
5 more specifically? What if any ways to monetize the
6 art have you considered other than an outright sale?
7 A. I think there's been discussions about some form of --
8 and I'm not clear because to be direct, I know that
9 some of my -- I've never been to DIA, I don't think
10 I've ever spoken with their board, I know that some of
11 my consultants have been over there and have had
12 various discussions about the art. I think the
13 discussions were very high level and very general.
14 That's what I know.
15 Q. Okay, that's really very nonspecific. Are you aware
16 of any specific consideration given to any form of
17 monetizing the art other than an outright sale?
18 A. No, nothing specific.
19 Q. Could be a lease -- sorry, but nothing has been
20 identified as a possible route to monetize?
21 A. Nothing specific. There have been discussions, but
22 nothing specific.
23 Q. Have there been discussions of leasing as a possible
24 way to monetize?
25 A. Possibly, yes.

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1 Q. Okay. And do you have any understanding of the amount
2 of cash flow that could be generated on an annual
3 basis if the art were leased?
4 A. Sitting here today, no.
5 Q. Has that number been talked about? Is there a
6 document that might discuss that?
7 A. No, no, there's no document. I -- I -- in an effort
8 to be accurate, I think I had a discussion with one of
9 the representatives at Christie's that was generally
10 speaking leasing is a very difficult thing to do.
11 That's the nature of the discussion, that you would
12 have to have the right pieces at the right time at the
13 right market to generate cash.
14 Q. So there was no discussion about the amount of money
15 it could generate?
16 A. No, no, it -- there was some discussion about
17 \$1 million, for instance, or something like that, but
18 it's nothing substantive.
19 Q. Okay. Now, the City also has a department of water
20 and sewers; is that right?
21 A. Yes.
22 Q. And as I understand it, the department of water and
23 sewers operates as a separate entity for accounting
24 and operating purposes?
25 A. As a result of Judge Cox's opinion, it has separate



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1 procurement, accounting and managerial
2 responsibilities, but as it's stated in that opinion,
3 it remains an asset in the department of the City.
4 Q. And is it correct that the water and sewer department
5 has issued secured bonds?
6 A. Yes, they're in my June 14th proposal.
7 Q. Okay, and I don't recall. What was the value of the
8 bonds that were issued?
9 A. The secured portion of the bonds all in, but this also
10 includes some parking -- parking was 95 million, some
11 dedicated state revenue bonds was a couple hundred
12 million, but generally speaking about 5.7 billion.
13 Q. And those bonds -- the 5.7 billion is secured by the
14 assets of the department?
15 A. Yes, yes.
16 Q. And as you understand it, does the value of the assets
17 of the department of water and sewers exceed the
18 values of the secured bonds?
19 A. I don't know if there's been a formal appraisal, but I
20 certainly would hope so.
21 Q. Do you have an understanding of the value of the water
22 and sewer assets?
23 A. Not sitting here today.
24 Q. Do you have a general understanding, a general
25 recollection?

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1 A. When you talk about asset values, you're talking about
2 switches, pipes, valves, things along that nature. I
3 don't think I've ever seen an appraisal of the value
4 of the assets of the water and sewer department.
5 Q. Do you have a general understanding of what the value
6 of the assets --
7 A. No.
8 Q. -- is worth?
9 A. No.
10 Q. Have you taken any steps to monetize the value of the
11 assets owned by the water and sewer department?
12 A. When you say monetize, I'm going to respond to the
13 question on the basis that monetize is in the broad
14 sense --
15 Q. Uh-huh.
16 A. -- not whether it's a lease, whether it's a sale,
17 getting authority.
18 Q. Just get money for it.
19 A. Get money for it, get some dough, okay, just want to
20 be clear. Discussions are ongoing in that regard.
21 Q. What are those discussions in a nutshell?
22 A. Those are commercially sensitive so I don't want to
23 interfere. Suffice it to say, the -- Judge Cox's
24 opinion spoke to the possibility of creating an
25 authority that would remove the water and sewer

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1 department's operations, not the assets, from the City
2 and perhaps increase additional value as a byproduct
3 of that process.
4 Q. And this is what is referred to in the June 14th
5 proposal or this transaction with this new authority?
6 A. Yes.
7 Q. And that would involve some sort of payment by the
8 authority to the City?
9 A. Yes, some sort of lease payment or like kind payment.
10 Q. Do you have any understanding -- can you give me any
11 idea as to the value that would be achieved by that,
12 the amount of cash that the City would be achieving,
13 realizing, if that went through?
14 A. Judge Cox's opinion, and I'm referencing the opinion
15 to state what's already in the record, references I
16 believe a \$62 million payment, which he called wildly
17 speculative. But there may be payments in that
18 regard, somewhere between 40 or lower to maybe up to
19 100. It's unclear.
20 Q. Right now who has control over the revenues that are
21 taken in by the department of water and sewers?
22 A. City does.
23 Q. Now, the department of water and sewers also had
24 retirement obligations for its --
25 A. Well, they have employees that are members of the

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1 General retirement fund.
2 Q. Right. And how were payments to the retirement fund
3 for those employees to be made? In other words, were
4 they to be made directly by the department of water
5 and sewer, to the Retirement Systems or were they made
6 by the department of water and sewer to the City,
7 which then was to remit them to the Retirement
8 Systems?
9 A. You're talking about the transaction or steady state
10 now?
11 Q. The steady state.
12 A. Steady state now. My understanding is that's part of
13 the City's obligation.
14 Q. So the DWS, department of water and sewers, is to give
15 the money for the retirement to the City, the City
16 was --
17 A. City makes it.
18 Q. -- was then supposed to make the payment to the
19 Retirement Systems?
20 A. Uh-huh.
21 Q. And are you aware of any funds that were transmitted
22 by the department of water and city (sic) to the City
23 for the purpose of funding pensions that were then
24 used by the City for other purposes?
25 A. I don't know if you can identify specific water and



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1 department?

2 A. Let me say it this way. We have examined a number of

3 options and alternatives related to DWSD including

4 those that might be implicated by your question.

5 Q. So is the answer to my question yes, you have

6 considered that?

7 A. We have considered all operations at DWSD including

8 those that might be implicated by your question. I

9 said before I'm going to be very careful so I don't

10 interfere with the commercial aspects with what's

11 going on now.

12 Q. And can you tell me how much you believe or understand

13 the City can take from the capital fund from DWSD in

14 order to satisfy its ongoing obligations if it chose

15 to do that?

16 A. I didn't say --

17 MR. SHUMAKER: Objection to form.

18 A. I didn't say that we would take any capital, I said

19 we'd consider it.

20 Q. I didn't -- I'm asking can you tell me how much would

21 you understand is available to take if the City

22 decides to go down that route?

23 A. No, I can't tell you that.

24 Q. Have you done any analysis of that?

25 A. Analysis is a strong word. Have we looked at the

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1 options and related to the transaction all

2 potentialities, but I can't tell you what that number

3 would be.

4 Q. Who within the City would be most knowledgeable about

5 the capital funds that are available at the DWSD?

6 A. At the City?

7 Q. Yeah.

8 A. Probably the operations at DWSD.

9 Q. You also made reference in the June 14th proposal to

10 the parking systems that the City owns.

11 A. Yes.

12 Q. And as I understand it there are nine garages?

13 A. Yes.

14 Q. Two lots with over 1,200 spaces?

15 A. Yes.

16 Q. And over 3,400 meters?

17 A. Yes.

18 Q. Do you have an understanding as to the value of those

19 assets?

20 A. No, we're currently doing our analysis as to the value

21 of those assets now.

22 Q. And you have no preliminary view as to what they're

23 worth? Nothing's been reported back to you on at

24 least a tentative basis?

25 A. No, nothing has been reported back to me on -- because

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1 when you talk about values, there's a range of values

2 from asset disposition and outright sale and

3 privatization to creating an operation or an authority

4 where someone has brought in, as has been done in

5 Washington, D.C., to actually operate the garages and

6 meters. So we're looking at a range of alternatives

7 to determine what those values could be.

8 Q. What's the range of values you're looking at so far?

9 A. We don't have that yet.

10 Q. How concrete have you -- let me withdraw that.

11 What specific steps have been taken so far?

12 A. Our investment advisors and consultants are beginning

13 discussions with various parties that undertake these

14 types of operations within a range of alternatives to

15 try to assess values.

16 Q. And the investment advisors, would that be Buckfire?

17 A. Yeah, it would be our investment banker, Ken Buckfire,

18 Miller Buckfire.

19 Q. Okay. In the June 14th proposal you also make

20 reference to about 22 square miles of land that the

21 City owns?

22 A. City-owned land, yes.

23 Q. Do you have an understanding as to the value of that

24 land?

25 A. I've been informed that some of the value is at best

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1 nominal, but no, sitting here today, I do not have a

2 number as to the value of the land.

3 Q. Have any steps been taken to try to monetize that

4 value, to get dough as you put it?

5 A. Yeah. Well, here again, you're -- to get income

6 realization perhaps I should say more articulately,

7 but here again, we're at the preliminary steps of

8 examining potential alternatives regarding land.

9 Q. So you don't know yet?

10 A. No.

11 Q. The Belle Isle Park, that's also referenced in the

12 June 14th proposal?

13 A. Yes.

14 Q. It's indicated that there's a prospective lease to the

15 state?

16 A. Yes.

17 Q. Okay. And do you expect that to go through?

18 A. I'm going to ask for it. It was proposed and was not

19 accepted in time so the state withdrew it, but I do

20 believe we're going to intend to ask that that lease

21 be renewed.

22 Q. And what's the annual rent the City would get under

23 that lease?

24 A. The City has a \$6 million maintenance obligation and

25 that would be taken up by the state so that wouldn't



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<p style="text-align: right;">Page 245</p> <p>1 level but the state to the best of my knowledge didn't</p> <p>2 participate in any authorship.</p> <p>3 Q. Okay, I'm not talking about the drafting of the</p> <p>4 document --</p> <p>5 A. Yeah, yeah.</p> <p>6 Q. -- but the formulation of the actual ideas or</p> <p>7 proposals that are contained in the document.</p> <p>8 A. No.</p> <p>9 Q. Did the state have input into that?</p> <p>10 A. No. The -- well, let me say it this way without</p> <p>11 talking about what was said. Generally the -- some of</p> <p>12 the advisors have been in the City for years if not</p> <p>13 months and have been reviewing this issue so I'm</p> <p>14 talking about from the time I was there and what I'm</p> <p>15 aware of. Generally the process once I became</p> <p>16 involved was we, meaning my immediate restructuring</p> <p>17 team, reviewed the issues and prepared proposals and</p> <p>18 then may have discussed them at a high level with the</p> <p>19 state, but as I said, there wasn't authorship in those</p> <p>20 proposals at the state level to the best of my</p> <p>21 knowledge.</p> <p>22 Q. Okay. Let me refer you to the June 14th proposal,</p> <p>23 which is Exhibit 9 of your deposition.</p> <p>24 A. Yes.</p> <p>25 Q. And let me refer you in particular to page 109.</p>	<p style="text-align: right;">Page 247</p> <p>1 Q. At the time the City filed for bankruptcy, was it your</p> <p>2 view that there had to be significant cuts in accrued</p> <p>3 vested pension amounts for both active and currently</p> <p>4 retired persons?</p> <p>5 A. Yes.</p> <p>6 Q. And is it still -- still your view today?</p> <p>7 A. Yes, based upon our analysis, yes.</p> <p>8 Q. This conclusion that there must be significant cuts in</p> <p>9 accrued vested pension amounts for both active and</p> <p>10 currently retired persons, was that assertion or that</p> <p>11 idea or that notion discussed by you with the governor</p> <p>12 at any time before June 14th, 2013?</p> <p>13 A. Outside of meetings with attorneys?</p> <p>14 MR. SHUMAKER: Outside of meetings or calls</p> <p>15 with attorneys present.</p> <p>16 Q. Yeah, I'm not looking to infringe your attorney-client</p> <p>17 privilege.</p> <p>18 A. I know. I just don't recall all of the meetings. It</p> <p>19 may have been discussed outside those meetings.</p> <p>20 Q. Well, do you have a recollection?</p> <p>21 A. I do not have a recollection of specific discussions.</p> <p>22 Q. Just so I understand your testimony, are you saying it</p> <p>23 was -- it may have been discussed but you're not sure</p> <p>24 whether or not it was discussed in meetings that were</p> <p>25 outside the attorney-client privilege? Is that your</p>
<p style="text-align: right;">Page 246</p> <p>1 A. Original 109?</p> <p>2 Q. Yeah, not the stamp.</p> <p>3 A. Not the Bates stamp, yes.</p> <p>4 Q. Right. There's the third bullet point from the bottom</p> <p>5 of the page. You can read that. It's a two line</p> <p>6 bullet point, you can read it, but what I want to</p> <p>7 focus on is the language that there must be</p> <p>8 significant cuts in accrued benefit pension amounts</p> <p>9 for both active and currently retired persons. Do you</p> <p>10 see that language?</p> <p>11 A. Yes.</p> <p>12 Q. Okay. And did you believe that what I just read out</p> <p>13 loud, that statement, to be true as of June 14th? Did</p> <p>14 you believe that there had to be, the cuts that are</p> <p>15 referred to there?</p> <p>16 A. Yes, based upon our analysis, yes.</p> <p>17 Q. And did you believe that at the time that the City</p> <p>18 filed for bankruptcy?</p> <p>19 A. Did I believe that at the time the City filed for</p> <p>20 bankruptcy?</p> <p>21 Q. At the time the City filed for bankruptcy --</p> <p>22 A. Yes.</p> <p>23 Q. Let me just finish the question for the clarity of the</p> <p>24 record.</p> <p>25 A. I'm sorry.</p>	<p style="text-align: right;">Page 248</p> <p>1 testimony?</p> <p>2 A. Yes. It -- well, to clarify, I think it -- some</p> <p>3 concept probably was discussed, but I'm not sure it</p> <p>4 was discussed outside of attorney-client meetings --</p> <p>5 Q. Okay.</p> <p>6 A. -- attorney-client privilege. I want to be clear.</p> <p>7 Q. Again, without infringing attorney-client privilege,</p> <p>8 did the state, and when I say the state, I mean the</p> <p>9 governor, his senior staff, Mr. Dillon, his staff,</p> <p>10 ever speak to you or your team asserting that there</p> <p>11 had to be significant cuts in accrued vested pension</p> <p>12 amounts?</p> <p>13 A. I don't recall the state ever, as you say, asserting</p> <p>14 that there had to be.</p> <p>15 Q. At the time you filed for bankruptcy or when the City</p> <p>16 filed for bankruptcy, was it your intent absent a</p> <p>17 consensual deal with the relevant stakeholders that</p> <p>18 accrued vested pension amounts for both active and</p> <p>19 currently retired persons would be cut?</p> <p>20 A. Well, first it was our intent that we reach some sort</p> <p>21 of understanding with stakeholders, that's why we</p> <p>22 asked for the formation of a retiree committee,</p> <p>23 because we recognize we needed to have representation</p> <p>24 on those issues. Secondly, what we're asking for and</p> <p>25 what we proposed in this proposal was the size of the</p>



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<p style="text-align: right;">Page 269</p> <p>1 Did you ever consider at the time of these meetings 2 whether you would accept in some scenario that 3 resulted from negotiations that there would be an 4 outcome to the restructuring where there would not be 5 cuts to accrued vested pension amounts? 6 A. That depends upon the proposal and the circumstances 7 of that proposed outcome. 8 Q. I think we're maybe misunderstanding each other. I'm 9 not asking you what you would have done -- 10 A. Uh-huh. 11 Q. -- had you gotten a certain proposal or what you would 12 have done under some circumstances that did not occur. 13 What I'm asking you is as to what your actual state of 14 mind was at the time of these meetings. In your 15 actual state of mind -- 16 A. Uh-huh. 17 Q. -- did you have -- did you consider and did you think 18 about that had there been certain negotiations that 19 led down a certain path, did you in your mind consider 20 that you might accept an outcome of the restructuring 21 where there would not be cuts to accrued vested 22 pension amounts? 23 A. I was receptive as we said to anything, but that would 24 depend upon the proposal. 25 Q. Did you say at any of these meetings that you would be</p>	<p style="text-align: right;">Page 271</p> <p>1 June 14th meeting. 2 A. Okay. 3 Q. Do you have a recollection of any words you used to 4 communicate to those in attendance that you were open 5 to consider anything, if that's a fair 6 characterization of your prior testimony? Did you use 7 words to that effect and if so what were those words? 8 A. I don't remember the exact words, but I think we 9 expressed the sentiment that this is a proposal and 10 we're open to discussions. 11 Q. Well, that's a little different. I mean, to be open 12 to discussion. I'm not asking you -- I think you 13 testified a few minutes ago that you were open to 14 anything and if I'm mischaracterizing that, correct 15 me. 16 A. Well, no, anything -- and I meant anything meaning 17 anything in terms of discussions, that's why we styled 18 this, we never called this a plan, we never called 19 this a deal, we always called it a proposal because we 20 were open for discussions, any response, meaning 21 anything, so I think they're the same thing. I'm not 22 trying to be cute in any fashion, I'm just saying we 23 were open to responses, yes. 24 Q. Did you ever say to the attendees at the meetings or 25 communicate to the attendees in writing that the City</p>
<p style="text-align: right;">Page 270</p> <p>1 receptive to anything? 2 A. No, I think we did say that, yes. 3 Q. So you would have been receptive to an outcome where 4 there would be no cuts in accrued vested pension 5 amounts? 6 A. That depends upon what the proposal was. We were 7 receptive to hearing anything which we haven't heard, 8 so yes. 9 Q. And is that true today? Are you willing to consider 10 an outcome to this restructuring effort where there 11 would be no cuts to accrued vested pension amounts? 12 A. That depends upon the terms of the proposal. That's 13 -- that's -- we'll listen to -- we have said before 14 and we'll say again, we'll listen to anything, but it 15 depends upon the terms. 16 Q. Okay. 17 A. Your question's a hypothetical so I -- I don't -- it 18 depends upon what the terms are. 19 Q. Okay, well, we have a disagreement with whether my 20 question is a hypothetical, but it is what it is. 21 A. Okay. 22 Q. I can only ask you to answer it to the best of your 23 ability. 24 A. That's the best of my ability. 25 Q. Let me now ask you about what you actually said at the</p>	<p style="text-align: right;">Page 272</p> <p>1 would consider an outcome to the restructuring effort 2 whereby there would be no cuts to accrued vested 3 pension amounts? 4 A. Did we ever communicate? I'm not sure that anyone on 5 my team did. To the best of my knowledge, I don't 6 recall doing that. 7 Q. Okay. Did you ever -- you or your team ever 8 communicate at the meetings or in writing to the 9 creditors that you would be open to a result of the 10 restructuring effort that would result in something 11 less than significant cuts in accrued vested pension 12 amounts? 13 A. Let me -- this line of questioning, let me respond 14 this way. I think it's fair to say that we 15 communicated that we were open to discussions and 16 suggestions and counterproposals. Depending upon what 17 the term of those discussions, suggestions and 18 counterproposals or anything were, we were willing to 19 discuss them. 20 Q. Let me turn your attention back to page 109 of the -- 21 of Exhibit 9, which is the June 14th proposal for 22 creditors. 23 A. Yes. 24 Q. And I believe you were questioned about this earlier 25 so I'll keep this short, but the fifth bullet point</p>



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<p style="text-align: right;">Page 277</p> <p>1 based upon historical calculations and my obligations 2 under the statute. 3 MR. DeCHIARA: I would like to go off the 4 record just for a minute. I may be done, I just want 5 to consult with co-counsel. 6 MR. SHUMAKER: Sure. 7 THE VIDEOGRAPHER: Going off the record at 8 5:26 p.m. 9 (A brief recess was taken.) 10 THE VIDEOGRAPHER: We're back on the record 11 at 5:39 p.m. 12 REEXAMINATION 13 BY MR. ULLMAN: 14 Q. Mr. Orr? 15 A. Yes. 16 Q. Just a few more questions for you. 17 A. Sure, Mr. Ullman. 18 Q. You are the -- let me withdraw that. 19 The June 14th proposal that we've looked at 20 was put forward by you in your capacity as Emergency 21 Manager? 22 A. Yes. 23 Q. Does anyone besides you have authority to change or 24 modify the terms of the proposal? 25 A. Well, it's my proposal and under statute I have</p>	<p style="text-align: right;">Page 279</p> <p>1 movement on it. 2 Q. So as things now stand, there's no plan to put forward 3 anything else if the creditors and in particular the 4 retirees do not agree to what's set out in the June 5 14th proposal? 6 A. As it stands right now, we don't have a plan. 7 MR. ULLMAN: I have nothing further. Thank 8 you, Mr. Orr. 9 MR. SHUMAKER: Thank you, counsel. 10 THE WITNESS: Thank you. 11 THE VIDEOGRAPHER: Going off the record at 12 5:41 p.m. 13 (Discussion held off the record.) 14 THE VIDEOGRAPHER: We're back on the record 15 at 5:43 p.m. 16 EXAMINATION 17 BY MS. GREEN: 18 Q. Hi, Mr. Orr. We've met before. 19 A. Yes. 20 Q. My name is Jennifer Green, I represent the two 21 Retirement Systems for the City of Detroit. 22 A. Yes, Jennifer -- Ms. Green. Good to see you again. 23 Q. Thank you. Nice to see you again too. 24 I have a question about Exhibit 11. I 25 don't know if you have it in front of you or not.</p>
<p style="text-align: right;">Page 278</p> <p>1 substantial discretion, but ultimately I report to the 2 governor, but as far as this, no one else in the City 3 does, no. 4 Q. No one other than you? 5 A. No one other than me. 6 Q. Now, in connection with a Chapter 9 proceeding that's 7 ongoing, in the event that you are unable to reach a 8 consensual resolution, do you intend to withdraw the 9 bankruptcy filing? 10 MR. SHUMAKER: Objection, calls for 11 speculation. 12 A. Yeah, I don't know what we'll do at that point. 13 Suffice it to say, if we can't reach a consensual 14 resolution, there are serious questions about the City 15 for a number of reasons. 16 Q. And if the creditors and objectors do not agree to the 17 terms that are set out in the June 14th proposal, do 18 you intend to put forward a plan in the Chapter 9 19 proceeding that treats pension contributions for 20 retirees differently than the way those contributions 21 are treated in the June 14th proposal? 22 MR. SHUMAKER: Same objection. 23 A. Yeah, I don't know what we intend to do. Suffice it 24 to say, I think the proposal speaks for itself and 25 we'll stand by that. We're hoping to get some</p>	<p style="text-align: right;">Page 280</p> <p>1 A. Okay. 2 MR. SHUMAKER: Which one is that? 3 MS. GREEN: It's the July 18th letter from 4 the governor. 5 MR. SHUMAKER: Thank you. 6 A. Okay. It's in here. Here it is, got it. Okay. 7 Q. Do you happen to know who within the governor's office 8 drafted this letter? 9 A. No, I do not. 10 Q. Do you know if Jones Day had any input in drafting the 11 July 18th letter? 12 A. To the best of my knowledge I don't think they did. 13 Q. Do you know if they had any input or saw a preview of 14 the letter before it was delivered on the 18th? 15 A. To the best of my knowledge they did not. I know I 16 did not. 17 Q. Did you have any specific conversations with the 18 governor about this letter between July 16th and July 19 18th? 20 MR. SHUMAKER: Without counsel present? 21 MS. GREEN: With the caveat without counsel 22 present. 23 A. Without counsel present? No. 24 Q. Did you have any with counsel present? 25 A. Yes, I believe on the morning of the 18th.</p>



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1 State of Michigan)

2 County of Genesee)

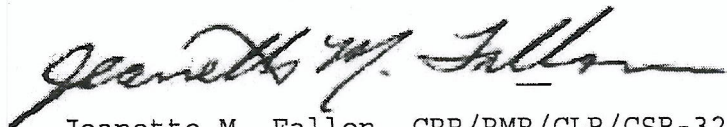
3 Certificate of Notary Public

4 I certify that this transcript is a complete, true and
5 correct record of the testimony of the witness held in this
6 case.

7 I also certify that prior to taking this deposition,
8 the witness was duly sworn or affirmed to tell the truth.

9 I further certify that I am not a relative or an
10 employee of or an attorney for a party; and that I am not
11 financially interested, directly or indirectly, in the
12 matter.

13 WITNESS my hand this 19th day of September,
14 2013.

15
16
17 

18 Jeanette M. Fallon, CRR/RMR/CLR/CSR-3267

19 Certified Realtime Reporter

20 Registered Merit Reporter

21 Certified LiveNote Reporter

22 Certified Shorthand Reporter

23 Notary Public, Genesee, Michigan

24 Acting in Oakland County, Michigan

25 My Commission Expires: 9-19-18



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<p>1 UNITED STATES BANKRUPTCY COURT 2 EASTERN DISTRICT OF MICHIGAN 3 SOUTHERN DIVISION 4 -----X 5 IN RE) Chapter 9 6 CITY OF DETROIT, MICHIGAN,) Case No. 13-53846 7 Debtor.) Hon. Steven W. Rhodes 8 -----X 9 10 CONTINUED VIDEOTAPED DEPOSITION of 11 KEYVN D. ORR 12 Volume II 13 Washington, D.C. 14 Friday, October 4, 2013 15 16 17 18 Pages: 308 - 496 19 Reported by: Cindy L. Sebo, RMR, CSR, RPR, CRR, 20 CCR, CLR, RSA 21 Assignment Number: 14008 22 File Number: 105824</p>	<p>Page 308</p> <p>1 APPEARANCES: 2 3 JONES DAY 4 For the Debtor: 5 51 Louisiana Avenue, Northwest 6 Washington, D.C. 20001-2113 7 202.879.3939 8 BY: GREGORY M. SHUMAKER, ESQUIRE 9 gshumaker@jonesday.com 10 BY: DAN T. MOSS, ESQUIRE 11 dtmoss@jonesday.com 12 13 DENTONS US LLP 14 For the Retirees Committee: 15 1221 Avenue of the Americas 16 New York, New York 10020-1089 17 212.632.8342 18 BY: ANTHONY B. ULLMAN, ESQUIRE 19 anthony.ullman@dentons.com 20 21 22</p> <p>Page 310</p>
<p>1 October 4, 2013 2 11:11 a.m. 3 4 5 Continued Videotaped Deposition of KEYVN D. 6 ORR held at the law offices of: 7 8 Jones Day 9 51 Louisiana Avenue, Northwest 10 Washington, D.C. 20001 11 12 13 14 15 16 Pursuant to notice, before Cindy L. Sebo, 17 Registered Merit Reporter, Certified Shorthand 18 Reporter, Registered Professional Reporter, 19 Certified Real-Time Reporter, Certified Court 20 Reporter, Certified LiveNote Reporter, Real-Time 21 Systems Administrator, a Notary Public in and for 22 the District of Columbia.</p>	<p>Page 309</p> <p>1 APPEARANCES (Continued): 2 3 LOWENSTEIN SANDLER LLP 4 For the AFSCME: 5 65 Livingston Avenue 6 Roseland, New Jersey 07068 7 973.597.2374 8 BY: SHARON L. LEVINE, ESQUIRE 9 slevine@lowenstein.com 10 11 COHEN, WEISS AND SIMON LLP 12 For the United Auto Workers Union: 13 330 West 42nd Street 14 New York, New York 10036-6979 15 212.356.0216 16 BY: PETER D. DECHIARA, ESQUIRE 17 pdechiara@cwsny.com 18 19 20 21 22</p> <p>Page 311</p>



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<p style="text-align: right;">Page 320</p> <p>1 so I'm intentionally not asking the question with 2 regard to any -- 3 A. Okay. 4 Q. -- legal discussions. 5 A. Explain for me, if you will, what you 6 mean by "political ramifications." Just -- just 7 so I make sure I understand what -- 8 Q. Well, let's put it this way -- 9 A. -- what you mean. 10 Q. -- what would -- what's your 11 understanding of political ramifications? 12 A. Well, I'm -- I'm not sure. That's 13 why I'm asking you. 14 Q. Did you consider any political 15 consequences at all in connection with the 16 Chapter 9 filing? 17 A. Did I consider? 18 Q. Yes. 19 A. No. 20 Q. Do you believe that -- do you 21 understand -- did you have any discussions with 22 regard to whether or not the Governor was</p>	<p style="text-align: right;">Page 322</p> <p>1 demonstrated any concern about political 2 ramifications as they're being used today. 3 Q. Did you understand that reductions in 4 vested pension benefits would be a necessary part 5 of any restructuring for Detroit? 6 A. I think that was certainly 7 anticipated, yes. 8 Q. Is it your understanding that the 9 Governor understood that the reduction in vested 10 pension benefits would be part of any 11 restructuring for Detroit? 12 MR. SHUMAKER: Objection: foundation. 13 MS. LEVINE: I'm asking him his 14 understanding. 15 THE WITNESS: I'm not sure what the 16 Governor understood. You'd have to ask him. 17 BY MS. LEVINE: 18 Q. Did the Governor ever communicate to 19 you that he expected that vested pension benefits 20 would be part of any restructuring for Detroit? 21 A. The Governor communicated to me that 22 he expected -- no.</p>
<p style="text-align: right;">Page 321</p> <p>1 considering any political ramifications as a 2 result of the Chapter 9 filing? 3 A. I'm -- I'm trying to understand -- 4 let me put it to you this way: The answer would 5 be no, because I believe the Governor wasn't 6 concerned about political ramifications as you 7 asked. 8 Q. Okay. 9 And what do you base that 10 understanding on? 11 Why do you believe the Governor 12 wasn't concerned about political ramifications? 13 A. Without -- and -- and let me just say 14 this throughout the deposition. It is not my 15 intent to waive or in any way impact the 16 attorney-client privilege. 17 So I'm going to try to be responsive, 18 but I don't want to bleed over into any arguments 19 later that I somehow waived the privilege. 20 My impression is in any of my 21 discussions outside of attorney-client 22 communications with the Governor, he never</p>	<p style="text-align: right;">Page 323</p> <p>1 Q. Did you discuss the reduction in 2 vested in pension benefits with the Governor prior 3 to the filing of the Chapter 9 petition? 4 A. Not outside of any attorney-client 5 communications. 6 Q. Did you discuss the reduction of 7 vested pension benefits, without going into what 8 was discussed, prior to the filing of the 9 Chapter 9 petition with the Governor? 10 A. Without waiving the attorney-client 11 privilege, we may have. 12 Q. You -- when you say "we may have," 13 you don't recall? 14 A. I -- I don't recall a specific 15 conversation with the Governor outside of 16 attorney-client communications talking about 17 reductions in pension benefits. 18 The Governor generally -- without 19 waiving the privilege, would generally say, you 20 make the decision that's best for the City in your 21 mind. 22 Q. Was it your understanding, prior to</p>



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<p>1 BY MR. ULLMAN: 2 Q. "The latter" meaning there's 3 another -- 4 A. To the City -- 5 Q. -- payment mechanism? 6 A. -- no, no, no, not -- the latter -- 7 not the -- not the discount; "the latter" meaning 8 to the City and then to the fund. 9 Q. Okay. 10 A. I could be wrong, because may be -- 11 but I believe it's -- I believe it's that process. 12 Q. Okay. I'm asking because I thought I 13 had seen some other document which said that 14 the -- maybe it's the same thing -- the City gets 15 the money or has the right to bill the -- the 16 funds or the -- the liabilities to the Department 17 -- Department of Water and Sewer, and then the 18 Department of Water and Sewer would pay the City. 19 That's your understanding? 20 A. Yeah, that -- that's -- that's what I 21 was saying; that's the approximate mechanism. 22 Q. Okay.</p>	Page 376	<p>1 thought that the actual unfunded liability was -- 2 was higher than the 644 number and could be as 3 much as 3.5 billion or something like that? 4 A. Yes. 5 Q. Okay. My question is, does the -- 6 does the -- is the proportion of unfunded 7 liability allocable to the general fund versus the 8 Department of Water Sewer personnel constant if 9 you -- if you use a higher liability figure? 10 In other words -- 11 A. If we went up to 3.5 -- 12 Q. Yeah, yeah -- 13 A. -- million, would it be -- 14 Q. -- would the Department of Water and 15 Sewer still be approximately 38 percent of the 16 total unfunded liability? 17 A. I'm -- I'm not sure. I would think 18 that a rough estimate might be. But as I said, I 19 think, in September 16th, part of those 20 calculations had to do with a number of factors, 21 so I don't want to say that my testimony is as 22 exactly proportioned.</p>	Page 378
<p>1 A. I could go back and check it to be 2 sure, but I think that's the approximate mechanism 3 as I understand it. 4 Q. Okay. Now, by my math -- I make no 5 representations as to my math, but just looking at 6 the numbers, it looked -- actually, do I have a 7 calculator here? I don't think I do. 8 What percentage is 250 over 650? I 9 actually didn't do the math. 10 A. Four -- it's 40-some odd. 11 Q. It's 40-some -- yeah, we can get it 12 precisely. 13 Zero? Oh. 14 250 divided by 6 -- let's say 650 -- 15 shoot, I didn't do that right. I apologize. Let 16 me try to clear this and do it again. 17 250 divided -- 6. This isn't right. 18 Okay. It looks like about 19 38 percent. 20 A. Right. 21 Q. Okay. You recall that -- that during 22 the last deposition, you indicated that you</p>	Page 377	<p>1 Q. Okay. And is it correct that the 2 Department of Water and Sewer itself, I think you 3 indicated last time, is run as a separate entity, 4 even though it's, I think, technically part of the 5 City, but it has its own books and records? 6 A. The Department of Water and Sewer is 7 a department of the City both technically and 8 practically. Pursuant to Judge Cox's order, it 9 has certain functions, which it can run 10 semiautonomously, but it remains a department of 11 the City. 12 Q. Okay. And as -- as a separate -- 13 as -- as an entity or a department of the City 14 that keeps its own books and records, the 15 Department of Water and Sewer itself shows a 16 profit for its own operations; is that right? 17 A. I'm not sure it shows a profit for 18 its own operations. I -- I'd have to look into 19 the word "profit" -- 20 Q. Okay. 21 A. -- but -- but it -- it stands -- it 22 generates revenue of its own and pays its</p>	Page 379



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1 A. I think in a meeting with my attorney
2 and someone from his office.
3 Q. Okay. And when was that?
4 A. I don't recall the day. I don't -- I
5 don't recall the -- it was after March. It may
6 have been prior to or after the bankruptcy filing.
7 I don't recall.
8 Q. Okay. And who was at the meeting?
9 A. I was at the meeting.
10 Attorney General Schuette was at the meeting, an
11 attorney from his office, Matt, was there -- I
12 forget his last name -- and my attorney,
13 David Heiman, was on the phone.
14 Q. Okay. And who -- how did the meeting
15 come about? Did someone ask to have the meeting?
16 A. I think -- yes, I think the Attorney
17 General's Office contacted my office and asked to
18 schedule a meeting.
19 Q. Did the person who asked to schedule
20 the meeting explain why they -- the Attorney
21 General wanted a meeting?
22 A. No.

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1 Q. Did you have an understanding of why
2 he wanted a meeting?
3 A. I don't think so. I think -- you
4 know -- no, I don't think so until we got to the
5 meeting. It was in Lansing.
6 Q. Okay. Do you recall the meeting?
7 A. Yes.
8 Q. What was said in the meeting?
9 A. Is that privileged?
10 MR. SHUMAKER: To -- to the extent
11 that there was a common interest between what the
12 Attorney General and his counsel was relating with
13 you and Mr. Heiman, I'm going to ask you --
14 instruct you not to answer.
15 If it related to issues where there
16 was no common interest, you can testify to that.
17 MR. DECHIARA: I -- I just -- can we
18 just pause? Are we on -- is there -- are you out
19 of tape or what's --
20 THE VIDEOGRAPHER: I've got
21 five minutes on the tape.
22 MR. DECHIARA: Okay. You'll tell me

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1 when the tape runs out?
2 THE VIDEOGRAPHER: Two minutes.
3 MR. DECHIARA: Okay.
4 Why don't -- why don't we take a --
5 maybe this is a good time -- do you have to -- how
6 long does it take to change the -- change --
7 THE VIDEOGRAPHER: I can go off the
8 record now and change.
9 MR. DECHIARA: Okay.
10 MR. ULLMAN: Why don't we take a
11 break and --
12 MR. DECHIARA: Why we don't take a
13 break now? Is that --
14 THE WITNESS: Sure.
15 MR. DECHIARA: -- is that good? He
16 has to change the tape.
17 THE VIDEOGRAPHER: Going off the
18 record at 12:42. This marks the end of Tape
19 Number 1.
20 - - -
21 (Whereupon, a brief recess was taken
22 from 12:42 p.m. to 1:06 p.m.)

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1 - - -
2 THE VIDEOGRAPHER: Going back on the
3 record at 1306. This marks the beginning of
4 Tape Number 2.
5 MR. DECHAIRA: Okay.
6 BY MR. DECHAIRA:
7 Q. Mr. Orr, before we broke, I was
8 asking you about a meeting you had with the
9 Michigan Attorney General.
10 And my question was, what was said at
11 that meeting?
12 A. Yes.
13 With Attorney General Schuette, I
14 don't recall the exact date, but, generally
15 speaking, the Attorney General -- at the meeting,
16 as I said, was Mr. Heiman on the phone, the
17 Attorney General and an attorney from his office,
18 Matt, whose last name escapes me right now. And
19 generally what was said, the Attorney General
20 wanted to express why he felt duty-bound to take a
21 position that the Michigan State Constitution
22 protected vested pension obligations.



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<p style="text-align: right;">Page 476</p> <p>1 BY MR. DECHAIRA:</p> <p>2 Q. Do you know who Bill Brandt is?</p> <p>3 A. I've -- I've heard that name before.</p> <p>4 I -- I think he was -- he's a bankruptcy trustee.</p> <p>5 Q. Do you know whether he was considered</p> <p>6 for any -- for the EM position?</p> <p>7 A. I do not.</p> <p>8 Q. Do you know whether he was considered</p> <p>9 for any position as -- any professional position</p> <p>10 in connection with the restructuring of the City</p> <p>11 of Detroit?</p> <p>12 A. I do not.</p> <p>13 Q. Okay.</p> <p>14 MR. DECHAIRA: Thank you for your</p> <p>15 time, Mr. Orr. I have no further questions.</p> <p>16 THE WITNESS: Thank you.</p> <p>17 MR. ULLMAN: I have a few follow-ups.</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>	<p style="text-align: right;">Page 478</p> <p>1 Q. Okay. And you see we had talked</p> <p>2 about the 250 million general fund relative to the</p> <p>3 650 million total unfunded liability?</p> <p>4 A. Yes.</p> <p>5 Q. And we had calculated ratio</p> <p>6 approximately 38-1/2 percent?</p> <p>7 A. Right.</p> <p>8 Q. And I think previously, when I was</p> <p>9 asking about this, I had referred to the</p> <p>10 38.5 percent as being the amount of the unfunded</p> <p>11 liability allocable to the Department of Water and</p> <p>12 Sewer. I think I -- I misspoke in that, because</p> <p>13 the 250 would be -- the 38.5 percent would be the</p> <p>14 amount allocable to the general fund, correct?</p> <p>15 A. Yes, I -- I think that's accurate,</p> <p>16 yes, we were talking about the numbers, but --</p> <p>17 Q. We had them backwards?</p> <p>18 A. -- we had them backwards.</p> <p>19 Q. And so if the -- if the math is right</p> <p>20 and it was about 38.5 percent, then the percentage</p> <p>21 of the unfunded liability allocable to the</p> <p>22 Department of Water and Sewer would be</p>
<p style="text-align: right;">Page 477</p> <p>1 - - -</p> <p>2 EXAMINATION (CONTINUED)</p> <p>3 BY COUNSEL FOR RETIREES COMMITTEE</p> <p>4 - - -</p> <p>5 BY MR. ULLMAN:</p> <p>6 Q. Hello, Mr. Orr.</p> <p>7 A. Hello, Mr. Ullman.</p> <p>8 Q. I just have a few questions for you</p> <p>9 just to clarify the record, because I saw when I</p> <p>10 was looking at the transcript that as sometimes</p> <p>11 happens when lawyers do math, I got some numbers</p> <p>12 transposed.</p> <p>13 A. Okay.</p> <p>14 Q. So if you could turn back to</p> <p>15 Exhibit 22.</p> <p>16 A. Okay.</p> <p>17 Um-hum.</p> <p>18 Okay.</p> <p>19 Q. And if you could look at the Bates</p> <p>20 page that we were looking at before which ends in</p> <p>21 422.</p> <p>22 A. Yes.</p>	<p style="text-align: right;">Page 479</p> <p>1 approximately 61.5 percent?</p> <p>2 A. But, remember, I said that you have</p> <p>3 to be careful with trying to draw a straight-line</p> <p>4 comparison between the two numbers you may</p> <p>5 calculate in. But generally speaking, if we're</p> <p>6 just talking about the math, that -- that --</p> <p>7 Q. Right --</p> <p>8 A. -- would be the estimate.</p> <p>9 Q. -- I'm right here just talking about</p> <p>10 the ratio on the -- the number that's referred to</p> <p>11 as the 650 -- the approximately 650 by the Mayor.</p> <p>12 A. Yes.</p> <p>13 Q. And then I think the next question I</p> <p>14 asked you, which I think is what you were alluding</p> <p>15 to, that if you assumed a larger liability figure,</p> <p>16 would that ratio continue to hold; and my</p> <p>17 recollection is, your answer was roughly it would,</p> <p>18 but you may have to, you know, fine-tune the math.</p> <p>19 A. It -- it -- it might roughly hold,</p> <p>20 but you need to be careful to not draw the</p> <p>21 conclusion that is -- it's exactly comparable.</p> <p>22 Q. Okay. I understand.</p>



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C E R T I F I C A T E

DISTRICT OF COLUMBIA:

I, Cindy L. Sebo, a Notary Public within
and for the Jurisdiction aforesaid, do hereby
certify that the foregoing deposition was taken
before me, pursuant to notice, at the time and place
indicated; that said deponent was by me duly sworn
to tell the truth, the whole truth, and nothing but
the truth; that the testimony of said deponent was
correctly recorded in machine shorthand by me and
thereafter transcribed under my supervision with
computer-aided transcription; that the deposition is
a true record of the testimony given by the witness;
and that I am neither of counsel nor kin to any
party in said action, nor interested in the outcome
thereof.



Cindy L. Sebo
District of Columbia, Notary Public
My Commission Expires
April 14, 2015

Cindy L. Sebo, RMR, CRR, RPR, CSR,
CCR, CLR, RSA, Notary Public



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EXHIBIT B

(Deposition Transcript of Charles Moore)

<p style="text-align: right;">Page 1</p> <p>1 IN THE UNITED STATES BANKRUPTCY COURT 2 EASTERN DISTRICT OF MICHIGAN 3 SOUTHERN DIVISION 4 5 In re Chapter 9 6 CITY OF DETROIT, MICHIGAN, Case No. 13-53846 7 Debtor. Hon. Steven W. Rhodes 8 _____/ 9 10 DEPONENT: CHARLES M. MOORE 11 DATE: Wednesday, September 18, 2013 12 TIME: 10:02 a.m. 13 LOCATION: MILLER CANFIELD PADDOCK & STONE PLC 14 150 West Jefferson, Suite 2500 15 Detroit, Michigan 16 REPORTER: Jeanette M. Fallon, CRR/RMR/CSR-3267 17 18 19 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 3</p> <p>1 APPEARANCES (continued): 2 3 COHEN WEISS AND SIMON LLP 4 By: Thomas N. Ciantra 5 330 West 42nd Street 6 New York, NY 10036.6979 7 212.356.0216 8 Appearing on behalf of UAW 9 10 LOWENSTEIN SANDLER LLP 11 By: Sharon L. Levine 12 65 Livingston Avenue 13 Roseland, NJ 07068 14 973.597.2374 15 -and- 16 Michael L. Artz (appearing telephonically) 17 Appearing on behalf of AFSCME 18 19 CLARK HILL PLC 20 By: Andrew Mast 21 Ed Hammond (appearing telephonically) 22 500 Woodward Avenue, Suite 3500 23 Detroit, MI 48226 24 313.965.8384 25 Appearing on behalf of Retirement Systems</p>
<p style="text-align: right;">Page 2</p> <p>1 APPEARANCES: 2 3 JONES DAY 4 By: Evan Miller 5 51 Louisiana Avenue, NW 6 Washington, D.C. 20001.2113 7 202.879.3939 8 -and- 9 MILLER CANFIELD PADDOCK AND STONE PLC 10 By: Jonathan S. Green 11 150 West Jefferson, Suite 2500 12 Detroit, MI 48226.4415 13 313.496.7997 14 Appearing on behalf of the Debtor 15 16 DENTONS US LLP 17 By: Arthur H. Ruegger 18 1221 Avenue of the Americas 19 New York, NY 10020.1089 20 212.768.6881 21 Appearing on behalf of Retirees Committee 22 23 24 25</p>	<p style="text-align: right;">Page 4</p> <p>1 APPEARANCES (continued): 2 3 WILLIAMS WILLIAMS RATNER & PLUNKETT PC 4 By: Ernest J. Essad, Jr. 5 380 N Old Woodward Ave Ste 300 6 Birmingham, MI 48009 7 248.642.0333 8 Appearing on behalf of FGIC 9 10 WINSTON & STRAWN LLP 11 By: Bianca M. Forde (appearing telephonically) 12 200 Park Avenue 13 New York, NY 10166.4193 14 212.294.4733 15 Appearing on behalf of Assured Guaranty Municipal 16 Corp. 17 18 STROBL & SHARP 19 By: Meredith Cox (appearing telephonically) 20 300 East Long Lake Road, Suite 200 21 Bloomfield Hills, MI 48304 22 248.540.2300 23 Appearing on behalf of Retired Detroit Police Members 24 Association 25</p>



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<p style="text-align: right;">Page 61</p> <p>1 A. The rate of payouts is another area where the</p> <p>2 actuaries make assumptions as to what benefits will be</p> <p>3 paid in what periods and to the extent that those are</p> <p>4 underestimated, that can impact the funded position as</p> <p>5 well. Tying into previous assumptions that I had</p> <p>6 indicated.</p> <p>7 Q. So is it -- is it your position that the City views</p> <p>8 the actuarial payout assumptions as understating</p> <p>9 unfunded liabilities?</p> <p>10 MR. MILLER: Object to form. Go ahead.</p> <p>11 A. As an example, Mr. Ruegger, the actuarial valuation</p> <p>12 assumes certain payouts. The actual payouts in the</p> <p>13 most recent completed year of plan assets were</p> <p>14 substantially higher than what was anticipated prior</p> <p>15 to that valuation being done and so at a minimum that</p> <p>16 would indicate that there were more assets that were</p> <p>17 paid out than what was assumed by the actuary.</p> <p>18 Q. Other than the assumptions and methods you've</p> <p>19 identified, are there any other assumptions and</p> <p>20 methods that to your understanding the City views as</p> <p>21 understating the systems' unfunded liabilities?</p> <p>22 A. The City and most importantly its actuary has not</p> <p>23 completed its analysis on the unfunded position. The</p> <p>24 City is trying to undertake a process to actually</p> <p>25 develop a more concrete valuation model on its own so</p>	<p style="text-align: right;">Page 63</p> <p>1 letters and reports and we'll take those up with the</p> <p>2 Milliman folks, but I'm trying now to focus on the 7.0</p> <p>3 figure. That was a figure selected by the City for</p> <p>4 illustrative purposes; correct?</p> <p>5 MR. MILLER: Object to form.</p> <p>6 A. Yes.</p> <p>7 Q. And that was not the specific figure or a specific</p> <p>8 figure recommended by Milliman or any other actuary;</p> <p>9 correct?</p> <p>10 A. I can't speak to any other actuary, but going back to</p> <p>11 the previous question, yes, 7 percent was used for</p> <p>12 illustrative purposes.</p> <p>13 Q. The -- and the Milliman analysis that's been</p> <p>14 undertaken so far, to your understanding, that hasn't</p> <p>15 been the product of work on the actual data for the</p> <p>16 systems; has it?</p> <p>17 MR. MILLER: Object to form.</p> <p>18 MR. RUEGGER: Okay, that was a poor</p> <p>19 question, I'll try again. Actually withdrawn.</p> <p>20 Q. Related to the projected net return, in paragraph 15</p> <p>21 of your declaration, I believe it's 15, you have a --</p> <p>22 we'll get to it.</p> <p>23 Let's talk now about the concept of</p> <p>24 smoothing that you reference in paragraph 12. In your</p> <p>25 understanding smoothing is a common calculation used</p>
<p style="text-align: right;">Page 62</p> <p>1 it's been relying on the valuation model of the</p> <p>2 pension systems' actuary. As such we have focused on</p> <p>3 a few items here, but until the City completes its</p> <p>4 analysis and completes its own actuarial valuation,</p> <p>5 neither the City nor its actuary nor I would be able</p> <p>6 to say what all the assumptions are that could be used</p> <p>7 to either overstate or understate the funded position.</p> <p>8 Q. Very well.</p> <p>9 Let's turn to one of the assumptions that</p> <p>10 you address in your declaration and specifically in</p> <p>11 paragraph 11 you talk about the projected net rate of</p> <p>12 return. The 7.0 percent or 7.25 percent figure, do</p> <p>13 you see that in paragraph 11?</p> <p>14 A. Yes, sir.</p> <p>15 Q. Those were not figures that were recommended by a</p> <p>16 particular actuary; were they?</p> <p>17 A. The 7 percent is actually higher than the rate that</p> <p>18 Milliman, the City's actuary, had originally put</p> <p>19 forward, which in its view would result -- the rate at</p> <p>20 which there was a fifty-fifty chance of achieving that</p> <p>21 rate.</p> <p>22 MR. RUEGGER: All right. I'm going to move</p> <p>23 to strike, because with all respect that was not</p> <p>24 responsive to my question, Mr. Moore.</p> <p>25 Q. I understand Milliman has prepared a variety of</p>	<p style="text-align: right;">Page 64</p> <p>1 by actuaries related to pension projections; correct?</p> <p>2 A. I would clarify your question from the standpoint of</p> <p>3 typically pension boards will decide on the policies</p> <p>4 and then actuaries will perform calculations based on</p> <p>5 the policies that a board will decide to use.</p> <p>6 Q. But smoothing is a common practice for actuaries; is</p> <p>7 it not?</p> <p>8 MR. MILLER: Object to form.</p> <p>9 A. Based on my experience, yes, there is a number of</p> <p>10 plans that I've looked at that involve a smoothing.</p> <p>11 Q. And would you agree that smoothing is a method to</p> <p>12 manage the effect of investment volatility on</p> <p>13 contributions and to provide a more consistent measure</p> <p>14 of plan funding over time?</p> <p>15 MR. MILLER: Object to form.</p> <p>16 A. Generally speaking, yes. What's important to note is</p> <p>17 that smoothing is a concept, and I agree with the</p> <p>18 purpose of that concept. The number of years over</p> <p>19 which a pension system may smooth can differ</p> <p>20 significantly.</p> <p>21 Q. Based on the -- well, withdrawn.</p> <p>22 To your knowledge is smoothing generally</p> <p>23 consistent with the actuarial standards of practice?</p> <p>24 MR. MILLER: Object to form.</p> <p>25 A. Well, I can tell you, Mr. Ruegger, later this year new</p>



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<p style="text-align: right;">Page 149</p> <p>1 City of Detroit to put into that pension fund as of</p> <p>2 July of next year; correct? July of this year;</p> <p>3 correct?</p> <p>4 MR. MILLER: Object to form. Go ahead.</p> <p>5 A. Obviously there are a number of potential sources of</p> <p>6 cash that are still uncertain.</p> <p>7 Q. Okay.</p> <p>8 A. But to answer your question about why this was done --</p> <p>9 Q. Yeah.</p> <p>10 A. -- there were a number of comments that were made</p> <p>11 indicating that the plan is only \$830 million</p> <p>12 underfunded or some people refer to the June 30th of</p> <p>13 2011 number and our point on this was to indicate that</p> <p>14 even if the plan was topped off from an actuarial</p> <p>15 standpoint, meaning that it was funded at 100 percent,</p> <p>16 if you roll forward using certain assumptions, what</p> <p>17 potentially happens to plan assets.</p> <p>18 Q. I see. But one of the assumptions is there's going to</p> <p>19 be no further contributions into the plan after that</p> <p>20 lump sum; correct?</p> <p>21 A. Yes. And what that is getting at is there's no future</p> <p>22 accrual of benefits. So you fully fund it based on</p> <p>23 the benefits that have been accrued --</p> <p>24 Q. Okay.</p> <p>25 A. -- which if that was the case, if it was fully funded</p>	<p style="text-align: right;">Page 151</p> <p>1 would be -- that in the City's view must occur;</p> <p>2 correct?</p> <p>3 A. Correct.</p> <p>4 Q. Has there been a specification of those level of cuts</p> <p>5 that the City contends must occur?</p> <p>6 MR. MILLER: Object to form.</p> <p>7 Q. I mean, have you put a dollar amount on it?</p> <p>8 A. No, and our analysis of this continues. Right now we</p> <p>9 still don't know what assets could be available to put</p> <p>10 towards the pensions. We still have not had the type</p> <p>11 of dialogue that we would like to have related to the</p> <p>12 calculation of the unfunded amount, so because of</p> <p>13 those two uncertainties among others we don't know</p> <p>14 what cuts, if any, there may need to be.</p> <p>15 Q. Well, doesn't it say there must be significant cuts?</p> <p>16 Am I -- are you saying that there's some -- that the</p> <p>17 City's position may be that there are no cuts that are</p> <p>18 necessary in accrued vested pension amounts?</p> <p>19 MR. MILLER: Object to form.</p> <p>20 A. We don't know. That's where we want to continue to</p> <p>21 engage in discussions and negotiations with the</p> <p>22 parties, but depending on what the unfunded amount is</p> <p>23 and what assets may be available for those claims, it</p> <p>24 certainly is possible.</p> <p>25 Q. So maybe that should have been worded there may be</p>
<p style="text-align: right;">Page 150</p> <p>1 from an actuarial standpoint and no new benefits</p> <p>2 accrued and you experience a 7.9 percent assumed rate</p> <p>3 of return -- or actual rate of return, what would</p> <p>4 happen to the plan assets.</p> <p>5 Q. Let me ask you if you have Moore Exhibit 3 there, I</p> <p>6 want to ask you a few questions with regard to that.</p> <p>7 Let me direct you to page 95 of that</p> <p>8 presentation. Hang on for a second. I'm sorry, I was</p> <p>9 in the wrong place. Page 109. Looking at the heading</p> <p>10 there, claims for unfunded pension liabilities.</p> <p>11 A. Yes, sir.</p> <p>12 Q. Were you involved at all in the drafting of that part</p> <p>13 of this presentation?</p> <p>14 A. I don't think I wrote that, but I was aware of this</p> <p>15 language.</p> <p>16 Q. Okay. How about the specifically the language of the</p> <p>17 third bullet point? Because the amounts realized on</p> <p>18 the underfunding claims would be substantially less</p> <p>19 than the underfunding amount, there must be</p> <p>20 significant cuts in accrued vested pension amounts for</p> <p>21 both active and currently retired persons. Were you</p> <p>22 involved in formulating that?</p> <p>23 A. Yes, sir.</p> <p>24 Q. And has the City -- I noticed in this presentation</p> <p>25 there's no quantification of what -- of the cuts that</p>	<p style="text-align: right;">Page 152</p> <p>1 significant cuts rather than must?</p> <p>2 MR. MILLER: Object to form. It asks for</p> <p>3 speculation.</p> <p>4 MR. CIANTRA: I don't think it asks for</p> <p>5 speculation at all.</p> <p>6 MR. MILLER: It asks for speculation, but</p> <p>7 you can go ahead and speculate.</p> <p>8 A. Possibly.</p> <p>9 Q. But in any event, there's been no specific</p> <p>10 quantification of any level of cuts to accrued vested</p> <p>11 pension amounts that the City has formulated in this</p> <p>12 restructuring process to date; isn't that correct?</p> <p>13 A. Correct.</p> <p>14 Q. And I would assume from that that you have not</p> <p>15 provided the unions or any of the retiree groups with</p> <p>16 any -- any quantification of cuts that the City would</p> <p>17 like to see made?</p> <p>18 A. No, we have met with parties regarding the pension</p> <p>19 multiple times and we've laid out a process that we</p> <p>20 propose to follow; however, that process really has</p> <p>21 not been started unfortunately.</p> <p>22 Q. Are you aware of provisions of the Michigan State</p> <p>23 Constitution that affect the ability of the State or</p> <p>24 its municipalities to alter accrued pension benefits?</p> <p>25 A. Generally, yes.</p>



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1 State of Michigan)

2 County of Genesee)

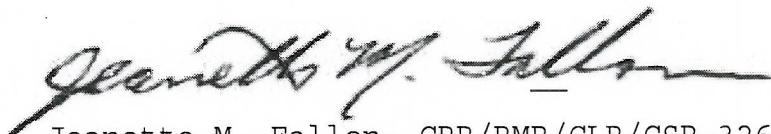
3 Certificate of Notary Public

4 I certify that this transcript is a complete, true and
5 correct record of the testimony of the witness held in this
6 case.

7 I also certify that prior to taking this deposition,
8 the witness was duly sworn or affirmed to tell the truth.

9 I further certify that I am not a relative or an
10 employee of or an attorney for a party; and that I am not
11 financially interested, directly or indirectly, in the
12 matter.

13 WITNESS my hand this 20th day of September,
14 2013.

15
16
17 

18 Jeanette M. Fallon, CRR/RMR/CLR/CSR-3267

19 Certified Realtime Reporter

20 Registered Merit Reporter

21 Certified LiveNote Reporter

22 Certified Shorthand Reporter

23 Notary Public, Genesee, Michigan

24 Acting in Oakland County, Michigan

25 My Commission Expires: 9-19-18



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EXHIBIT C

(Deposition Transcript of Lamont Satchel)

Page 1	Page 3
<p>1 IN THE UNITED STATES BANKRUPTCY COURT</p> <p>2 EASTERN DISTRICT OF MICHIGAN</p> <p>3 SOUTHERN DIVISION</p> <p>4</p> <p>5 In re Chapter 9</p> <p>6 CITY OF DETROIT, MICHIGAN, Case No. 13-53846</p> <p>7 Debtor. Hon. Steven W. Rhodes</p> <p>8 _____/</p> <p>9</p> <p>10 DEPONENT: LAMONT SATCHEL</p> <p>11 DATE: Thursday, September 19, 2013</p> <p>12 TIME: 11:00 a.m.</p> <p>13 LOCATION: MILLER CANFIELD PADDOCK & STONE PLC</p> <p>14 150 West Jefferson, Suite 2500</p> <p>15 Detroit, Michigan</p> <p>16 REPORTER: Jeanette M. Fallon, CRR/RMR/CSR-3267</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 COHEN WEISS AND SIMON LLP</p> <p>4 By: Joshua J. Ellison</p> <p>5 330 West 42nd Street</p> <p>6 New York, NY 10036.6979</p> <p>7 212.356.0216</p> <p>8 Appearing on behalf of UAW</p> <p>9</p> <p>10 LOWENSTEIN SANDLER LLP</p> <p>11 By: Sharon L. Levine</p> <p>12 65 Livingston Avenue</p> <p>13 Roseland, NJ 07068</p> <p>14 973.597.2374</p> <p>15 -and-</p> <p>16 Matt Blumin (appearing telephonically)</p> <p>17 Appearing on behalf of AFSCME</p> <p>18</p> <p>19 CLARK HILL PLC</p> <p>20 By: Sean Gallagher (appearing via LiveNote Streaming)</p> <p>21 500 Woodward Avenue, Suite 3500</p> <p>22 Detroit, MI 48226</p> <p>23 313.965.8384</p> <p>24 Appearing on behalf of Retirement Systems</p> <p>25</p>
Page 2	Page 4
<p>1 APPEARANCES:</p> <p>2</p> <p>3 JONES DAY</p> <p>4 By: Evan Miller</p> <p>5 51 Louisiana Avenue, NW</p> <p>6 Washington, D.C. 20001.2113</p> <p>7 202.879.3939</p> <p>8 -and-</p> <p>9 MILLER CANFIELD PADDOCK AND STONE PLC</p> <p>10 By: Jonathan S. Green</p> <p>11 150 West Jefferson, Suite 2500</p> <p>12 Detroit, MI 48226.4415</p> <p>13 313.496.7997</p> <p>14 Appearing on behalf of the Debtor</p> <p>15</p> <p>16 DENTONS US LLP</p> <p>17 By: Anthony B. Ullman</p> <p>18 620 Fifth Avenue</p> <p>19 New York, NY 10020.2457</p> <p>20 212.632.8342</p> <p>21 Appearing on behalf of Retirees Committee</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>1 APPEARANCES (continued):</p> <p>2</p> <p>3 WINSTON & STRAWN LLP</p> <p>4 By: Bianca M. Forde (appearing via LiveNote Streaming)</p> <p>5 200 Park Avenue</p> <p>6 New York, NY 10166.4193</p> <p>7 212.294.4733</p> <p>8 Appearing on behalf of Assured Guaranty Municipal</p> <p>9 Corp.</p> <p>10</p> <p>11 LIPPITT O'KEEFE, PLLC</p> <p>12 By: Anne Cubera Lipp (appearing telephonically)</p> <p>13 370 E. Maple Road</p> <p>14 Third Floor</p> <p>15 Birmingham, MI 48009</p> <p>16 248.646.8292</p> <p>17 Appearing on behalf of the Retiree Association Parties</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>



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<p>Page 85</p> <p>1 here?</p> <p>2 A. Not without reading it.</p> <p>3 Q. Okay, well, let me just see if I can quickly refresh</p> <p>4 you. If you look on page 4 under what I have</p> <p>5 suggested to you was the projections as to what would</p> <p>6 happen without restructuring according to the City,</p> <p>7 you'll see there are some line items that are entitled</p> <p>8 pension contributions and there are three subpoints,</p> <p>9 public safety, nonpublic safety and DDOT; do you see</p> <p>10 that?</p> <p>11 A. On page 4?</p> <p>12 Q. On page 4.</p> <p>13 A. Uh-huh.</p> <p>14 Q. Okay, and if you look just for exemplary purposes to</p> <p>15 the column for year 2014, you see there are entries of</p> <p>16 139 million, 36.9 million and 23.6 million?</p> <p>17 A. Uh-huh.</p> <p>18 Q. And I believe, you can check if you wish, that if you</p> <p>19 add those up, you get 199.5 million that the City,</p> <p>20 under the nonrestructuring proposal, would be</p> <p>21 contributing for pension contributions. Do you see</p> <p>22 that?</p> <p>23 A. Uh-huh.</p> <p>24 MR. MILLER: Object to form.</p> <p>25 Q. Okay. Then if you go to page 5, which I'm suggesting</p>	<p>Page 87</p> <p>1 Q. So you don't know?</p> <p>2 A. I don't know.</p> <p>3 Q. Okay. Do you know -- is it correct that this is the</p> <p>4 plan that the City was in fact presenting to the</p> <p>5 people it met with at the meetings you went to on June</p> <p>6 20?</p> <p>7 A. Yes, this was the document.</p> <p>8 Q. And do you know whether it changed in any way from the</p> <p>9 terms of the proposals that were set forth in the</p> <p>10 document we referred to earlier as Exhibit C from</p> <p>11 Mr. Orr's declaration --</p> <p>12 A. As I stated earlier, I have not read the entirety of</p> <p>13 that document so I couldn't answer that.</p> <p>14 Q. So you can't say whether the City's position has</p> <p>15 changed in any way from June 14th to June 20; can you?</p> <p>16 A. I cannot at this time, no.</p> <p>17 Q. And are you aware that another presentation was made</p> <p>18 on or around September 11th, 2013 as to what the City</p> <p>19 expected to happen under the plan, under its proposal?</p> <p>20 A. I am not aware.</p> <p>21 MR. MILLER: Object to form.</p> <p>22 A. I was not --</p> <p>23 Q. Do you know as of September 11th --</p> <p>24 A. Can I answer it?</p> <p>25 Q. I'm sorry, did I cut you off?</p>
<p>Page 86</p> <p>1 to you is what the City is projecting under its</p> <p>2 restructuring scenario, what you will see, and you can</p> <p>3 tell me if I'm wrong, is that the only entry for</p> <p>4 pension now is sort of a little bit above the middle</p> <p>5 of the page where it says DC, defined contribution,</p> <p>6 benefit contribution for the year 2014, we now see the</p> <p>7 number 25.4 million as opposed to without the</p> <p>8 restructuring 199.5 million. Do you see that?</p> <p>9 MR. MILLER: Object to form. The document</p> <p>10 speaks for itself.</p> <p>11 A. I see the number, yeah.</p> <p>12 Q. Okay. And my understanding, you can tell me if this</p> <p>13 is consistent with yours, is that under the City's</p> <p>14 proposed restructuring as set forth in document S18</p> <p>15 that we've just been looking at, effectively the City</p> <p>16 is saying that for retirees they will stop making any</p> <p>17 pension contributions on a going forward basis and the</p> <p>18 only pension contributions they're making at all are</p> <p>19 for current employees on a -- on the plan set forth</p> <p>20 that we've just looked at on page 4, a defined</p> <p>21 contribution plan. Is that consistent with your</p> <p>22 understanding?</p> <p>23 MR. MILLER: Object to form.</p> <p>24 A. You know, I can't venture any answer with respect to</p> <p>25 these documents because this is not my forte.</p>	<p>Page 88</p> <p>1 A. Yes.</p> <p>2 Q. I didn't mean to.</p> <p>3 A. I was not aware of that.</p> <p>4 Q. And as regards pension benefits, which is what we've</p> <p>5 been looking at, do you know whether the plan, the</p> <p>6 proposal that was presented by the City on September</p> <p>7 11 changed in any way from what it presented first on</p> <p>8 June 14th and then again on June 20th?</p> <p>9 A. I haven't -- I'm not aware of nor have I seen a</p> <p>10 proposal that the City made on September 11.</p> <p>11 Q. So you don't know one way or the another?</p> <p>12 A. I don't.</p> <p>13 Q. Okay, fair enough.</p> <p>14 Now, is it -- to your knowledge can someone</p> <p>15 or a retiree, for example, look at the information</p> <p>16 that's contained in S18 and be able to figure out</p> <p>17 monetarily what the total impact of this proposal is</p> <p>18 on that particular individual?</p> <p>19 A. I don't know.</p> <p>20 Q. Okay. And you think that's something that someone</p> <p>21 would want to be able to understand in order to</p> <p>22 analyze a proposal that's being made and respond</p> <p>23 intelligently to it?</p> <p>24 MR. MILLER: Object to form. Calls for</p> <p>25 speculation.</p>



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<p>Page 89</p> <p>1 A. Could you rephrase that?</p> <p>2 MR. ULLMAN: Can you repeat it?</p> <p>3 (Record read back as requested.)</p> <p>4 A. What's the that?</p> <p>5 Q. Being able to understand the monetary impact to the</p> <p>6 affected individual of what is being proposed. If I</p> <p>7 were presenting you with a proposal, you would want to</p> <p>8 understand how -- a proposal that purports to affect</p> <p>9 how much money you're going to get, how many benefits</p> <p>10 you're going to receive, you would want to know what</p> <p>11 the monetary impact on you is overall in order to</p> <p>12 think about it, understand it and respond to; true?</p> <p>13 A. If it had a monetary impact and --</p> <p>14 MR. MILLER: Let me interpose an objection.</p> <p>15 Object to form.</p> <p>16 Q. You can answer the question.</p> <p>17 A. If it had a monetary impact and I had an interest in</p> <p>18 that regard, I would. If I didn't, I wouldn't.</p> <p>19 Q. Okay. Now, we talked about the June 20 meeting. What</p> <p>20 I'm going to do is show you two documents. I'm going</p> <p>21 to have them marked serially, but I'm going to show</p> <p>22 them to you at the same time and then ask you about</p> <p>23 them because they're related; okay?</p> <p>24 A. All right.</p> <p>25 MR. ULLMAN: So we're going to mark these</p>	<p>Page 91</p> <p>1 anything that's untrue that's stated in here.</p> <p>2 A. I have no reason to believe anything in here is</p> <p>3 untrue.</p> <p>4 Q. Okay. And then the follow-up letter that I'm -- and</p> <p>5 then just before I move to the follow-up letter, this</p> <p>6 letter is basically saying, is it not, that there's</p> <p>7 been a meeting scheduled for June 20 and Mr. Easley is</p> <p>8 inviting the recipient to attend; yes?</p> <p>9 A. It does.</p> <p>10 Q. And that's what led to the June meeting that you</p> <p>11 talked about before. Now let's go to Exhibit Satchel</p> <p>12 20, which is a June 17 letter.</p> <p>13 A. Uh-huh, yes.</p> <p>14 Q. And just to put the right context on this, if you turn</p> <p>15 to page 2 of this document, S20, you will see in the</p> <p>16 last paragraph this is from Steven -- is it Kreisberg?</p> <p>17 MS. LEVINE: Kreisberg.</p> <p>18 Q. -- Kreisberg writes to someone at Miller Buckfire --</p> <p>19 you know Miller Buckfire was working with the City;</p> <p>20 right?</p> <p>21 A. Yes.</p> <p>22 Q. So in the last paragraph Mr. Kreisberg says, I'm</p> <p>23 assisting AFSCME Locals and AFSCME Council 25 with</p> <p>24 issues relating to the proposal. We've been asked to</p> <p>25 meet with the EFM's representatives on Thursday.</p>
<p>Page 90</p> <p>1 as 19 and 20.</p> <p>2 (Marked Exhibit No. 19.)</p> <p>3 (Marked Exhibit No. 20.)</p> <p>4 Q. Now, the first document that I've shown you, which</p> <p>5 we've marked as Exhibit 19, is a June 14 letter to Ed</p> <p>6 McNeil from Jones Day.</p> <p>7 A. Yes.</p> <p>8 Q. Do you see that? And in fact, you're a copyee on the</p> <p>9 Exhibit Satchel 19; do you see that?</p> <p>10 A. I am.</p> <p>11 Q. Do you recognize this letter?</p> <p>12 A. I do.</p> <p>13 Q. Okay. And you actually got a copy at the time it was</p> <p>14 written?</p> <p>15 A. Did --</p> <p>16 Q. Okay.</p> <p>17 A. I did receive a copy of it.</p> <p>18 Q. Okay, and it was written by whom at Jones Day?</p> <p>19 Brian Easley?</p> <p>20 A. It was.</p> <p>21 Q. Do you have any reason to believe anything he said in</p> <p>22 here is untrue, he meaning Mr. Easley?</p> <p>23 A. I would have to read it.</p> <p>24 MR. MILLER: Object to form.</p> <p>25 Q. You can take a look and tell me if you think there's</p>	<p>Page 92</p> <p>1 Now, Thursday is the 20th; correct? I have</p> <p>2 a calendar if you want to check.</p> <p>3 A. If you say so.</p> <p>4 Q. Okay. So that would be the same June 20 meeting and</p> <p>5 Thursday was the same June 20 meeting that we were --</p> <p>6 you talked about earlier and that's referred to in the</p> <p>7 letter we just marked as Satchel 19; correct?</p> <p>8 MR. MILLER: Wait.</p> <p>9 A. I'm sorry, I was reading the document. Could you say</p> <p>10 that again?</p> <p>11 Q. I don't remember what I said.</p> <p>12 MR. ULLMAN: Can you read it back?</p> <p>13 (Record read back as requested.)</p> <p>14 A. All right, correct.</p> <p>15 Q. Okay. Now, if you look at the June 17 letter, Satchel</p> <p>16 20, what Mr. Kreisberg is saying we'd like some</p> <p>17 information; right? And he asks for four categories</p> <p>18 of information or actually five. There's more on the</p> <p>19 back on the second page; do you see that?</p> <p>20 MR. MILLER: Object to form.</p> <p>21 A. Yes, I see it.</p> <p>22 Q. And is it correct that all of this is information that</p> <p>23 pertains to issues that may be impacted under the</p> <p>24 proposal that's been put forth by the City?</p> <p>25 MR. MILLER: Object to form.</p>



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1 State of Michigan)

2 County of Genesee)

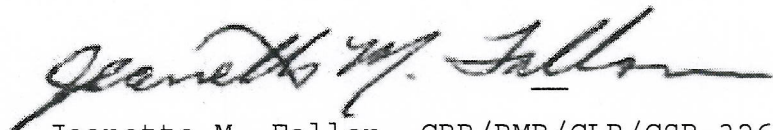
3 Certificate of Notary Public

4 I certify that this transcript is a complete, true and
5 correct record of the testimony of the witness held in this
6 case.

7 I also certify that prior to taking this deposition,
8 the witness was duly sworn or affirmed to tell the truth.

9 I further certify that I am not a relative or an
10 employee of or an attorney for a party; and that I am not
11 financially interested, directly or indirectly, in the
12 matter.

13 WITNESS my hand this 20th day of September,
14 2013.

15
16
17 

18 Jeanette M. Fallon, CRR/RMR/CLR/CSR-3267

19 Certified Realtime Reporter

20 Registered Merit Reporter

21 Certified LiveNote Reporter

22 Certified Shorthand Reporter

23 Notary Public, Genesee, Michigan

24 Acting in Oakland County, Michigan

25 My Commission Expires: 9-19-18



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EXHIBIT D

(Deposition Transcript of Andy Dillon)

1 UNCERTIFIED ROUGH DRAFT

2 This is the deposition of Treasurer Dillon.

3 MS. NELSON: This is the for purposes of

4 the record of the Governors deposition that was

5 taken on October 9th. There was a request at the

6 conclusion of the Governors dep for the production

7 of an email which is the transmission email from the

8 Governors office to Kevyn Orr of what was marked as

9 Governor's Exhibit 2 which was his July 18th, 2013

10 letter authorizing the filing of the bankruptcy. I

11 have produced this email and provided it to all

12 counsel that are present today and we have agreed to

13 mark it as Governors Exhibit 11. The email is dated

14 Thursday, July 18th, 2013. It was transmit at 3:47
15 p.m. and the subject is high priority and the
16 attachment which is identified as 20130718155044034
17 dot pdf is identical to the attachment identified in
18 Governors exhibit 10 that was marked at the
19 deposition yesterday. And the subject matter I
20 would point out between Governor's exhibit 11 and 10
21 is also identical high priority. So the purposes of
22 the record we're mark this as Governors Exhibit 11
23 it is the email that was discussed and is now being
24 produced that was the transmission of the July 18th
25 letter from the Governors office to Kevyn Orr at 347

1 lead to questions directed to you about your view on

2 in topic. It's relating to the pension issue.

3 Is that a fair characterization of the

4 email?

5 A. Right.

6 Q. In my view it's too early in the process to respond

7 to hypothetical questions we remain in many ways in

8 the informational stage. I have some thoughts as to

9 how you could address some pointed questions if

10 you're interesting in hearing them.

11 What pointed questions were you expecting?

12 A. Anything from -- well, going back in time here but

13 just obviously the whole gamut of questions

14 regarding what the underfunding status to mean to

15 retirees, and I thought that the situation was not

16 understood enough for the Governor to go on record

17 yet because I couldn't even tell him with any degree

18 of confidence what level of funding these pension

19 funds had, so why should he get in the middle of a

20 debate about this. It's obviously very charged and

21 sensitive issue. And it was my free political

22 comments to him.

23 Q. And in was really just over a week before the

24 filing, that was your stance?

25 A. Yeah. Obviously. But I don't -- I think it was in

EXHIBIT E

(Deposition Transcript of Glenn Bowen)

Page 1	Page 3
<p>1 UNITED STATES BANKRUPTCY COURT</p> <p>2 EASTERN DISTRICT OF MICHIGAN</p> <p>3 SOUTHERN DIVISION</p> <p>4 -----X</p> <p>5 IN RE) Chapter 9</p> <p>6 CITY OF DETROIT, MICHIGAN,) Case No. 13-53846</p> <p>7 Debtor.) Hon. Steven W. Rhodes</p> <p>8 -----X</p> <p>9</p> <p>10</p> <p>11</p> <p>12 DEPOSITION of GLENN DAVID BOWEN</p> <p>13 Washington, D.C.</p> <p>14 Tuesday, September 24, 2013</p> <p>15</p> <p>16</p> <p>17</p> <p>18 Pages: 1 - 213</p> <p>19 Reported by: Cindy L. Sebo, RMR, CRR, RPR, CSR,</p> <p>20 CCR, CLR, RSA</p> <p>21 Assignment Number: 472421</p> <p>22 File Number: 105824</p>	<p>1 APPEARANCES:</p> <p>2 JONES DAY</p> <p>3 For the Debtor:</p> <p>4 51 Louisiana Avenue, Northwest</p> <p>5 Washington, D.C. 20001-2113</p> <p>6 202.879.3939</p> <p>7 BY: EVAN MILLER, ESQUIRE</p> <p>8 emiller@jonesday.com</p> <p>9 BY: MIGUEL F. EATON, ESQUIRE</p> <p>10 meaton@jonesday.com</p> <p>11</p> <p>12 DENTONS US LLP</p> <p>13 For the Official Committee of Retirees:</p> <p>14 233 South Wacker Drive</p> <p>15 Suite 7800</p> <p>16 Chicago, Illinois 60606-6306</p> <p>17 312.876.7994</p> <p>18 BY: ROBERT B. MILLNER, ESQUIRE</p> <p>19 robert.millner@dentons.com</p> <p>20 BY: ARTHUR H. RUEGGER, ESQUIRE</p> <p>21 arthur.ruegger@dentons.com</p> <p>22</p>
Page 2	Page 4
<p>1 September 24, 2013</p> <p>2 9:47 a.m.</p> <p>3</p> <p>4</p> <p>5 Deposition of GLENN DAVID BOWEN held</p> <p>6 at the law offices of:</p> <p>7</p> <p>8</p> <p>9 Jones Day</p> <p>10 51 Louisiana Avenue, Northwest</p> <p>11 Washington, D.C. 20001</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16 Pursuant to notice, before Cindy L.</p> <p>17 Sebo, Registered Merit Reporter, Certified Real-Time</p> <p>18 Reporter, Registered Professional Reporter,</p> <p>19 Certified Shorthand Reporter, Certified Court</p> <p>20 Reporter, Certified LiveNote Reporter, Real-Time</p> <p>21 Systems Administrator and a Notary Public in and for</p> <p>22 the District of Columbia.</p>	<p>1 APPEARANCES (Continued):</p> <p>2 COHEN, WEISS AND SIMON LLP</p> <p>3 For the United Auto Workers Union:</p> <p>4 330 West 42nd Street</p> <p>5 New York, New York 10036-6979</p> <p>6 212.356.0216</p> <p>7 BY: THOMAS N. CIANTRA, ESQUIRE</p> <p>8 tciantra@cwsny.com</p> <p>9</p> <p>10 LOWENSTEIN SANDLER LLP</p> <p>11 For AFSCME:</p> <p>12 65 Livingston Avenue</p> <p>13 Roseland, New Jersey 07068</p> <p>14 973.597.2538</p> <p>15 BY: JOHN K. SHERWOOD, ESQUIRE</p> <p>16 jsherwood@lowenstein.com</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p>



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<p style="text-align: right;">Page 145</p> <p>1 this development, that there would be no further</p> <p>2 transfers from the DB plan assets into -- into</p> <p>3 individual accounts; thus no calculation was</p> <p>4 needed.</p> <p>5 Q. On the Page 3 we see Rule-of-Thumb</p> <p>6 Adjustments.</p> <p>7 Do you see that?</p> <p>8 A. I do.</p> <p>9 Q. And on the -- the last adjustment, the</p> <p>10 pages that -- Total actuarial accrued liability</p> <p>11 decreases by 10 percent due to the plan freeze and</p> <p>12 the cancellation of all future COLAs.</p> <p>13 Do you see that?</p> <p>14 A. I do.</p> <p>15 Q. And what is the source of</p> <p>16 the 10 percent number that you used there?</p> <p>17 A. It is due to the plan freeze and the</p> <p>18 cancellation of COLAs, so we would have done two</p> <p>19 separate calculations or two separate estimates to</p> <p>20 determine the 10 percent overall estimate for those</p> <p>21 plan changes and the plan freeze.</p> <p>22 I believe we discussed this before, but</p>	<p style="text-align: right;">Page 147</p> <p>1 and then one for the COLA cancellation.</p> <p>2 Q. The rule-of-thumb adjustment not above</p> <p>3 that, but two above that says that Total benefit</p> <p>4 payments increased by 4.25 percent annually in the</p> <p>5 baseline scenario and by 2.17 percent in</p> <p>6 Scenario 2.</p> <p>7 And how did you derive those estimates?</p> <p>8 A. The total benefit payment increased.</p> <p>9 And to put this in chronology, we had discussed</p> <p>10 earlier today that Milliman had calculated benefit</p> <p>11 payments from Gabriel, Roeder projections when they</p> <p>12 were available. At this time, they weren't.</p> <p>13 The 4.25 percent was an estimate based</p> <p>14 upon historical growth and benefit payments as new</p> <p>15 members retired. The 2.17 lower estimate for</p> <p>16 Scenario 2 was adjusted downward to reflect a plan</p> <p>17 freeze which generates future lower benefit</p> <p>18 payments and the cancellation of cost-of-living</p> <p>19 increases as well.</p> <p>20 Q. When you say "adjusted downward," in</p> <p>21 this instance, is it a -- is it a -- an estimate</p> <p>22 that is based on a -- simply the judgment of the</p>
<p style="text-align: right;">Page 146</p> <p>1 it was based upon a lower expectation of future</p> <p>2 benefits, which generates a lower liability. And</p> <p>3 then the cancellation of future COLAs generates</p> <p>4 lower future benefit payments as well.</p> <p>5 So in using information we were able to</p> <p>6 draw from the valuation reports, we prepared</p> <p>7 estimates of those two topics.</p> <p>8 Q. Are these the estimates that you, in an</p> <p>9 earlier document, called "guesses"?</p> <p>10 A. I'm not sure which -- I mean, you can</p> <p>11 put that particular document back in front of me.</p> <p>12 I've used the phrase "rough guess"; I've used the</p> <p>13 phrase "estimate" --</p> <p>14 Q. Rough guess.</p> <p>15 A. Rules of thumb, I would say, by</p> <p>16 definition, are rough guesses. They're defined to</p> <p>17 give us a proxy of what we -- the result we would</p> <p>18 arrive at had we done more detailed modeling.</p> <p>19 Q. And you have a workpaper showing this</p> <p>20 calculation?</p> <p>21 A. Yes. We would have developed two</p> <p>22 calculations, one for the impact of the plan freeze</p>	<p style="text-align: right;">Page 148</p> <p>1 actuaries? Is that -- is that what this is? Or do</p> <p>2 you have specific data that you point to take</p> <p>3 that number down from the baseline scenario?</p> <p>4 A. We -- we do not have a specific full</p> <p>5 valuation run where we've modeled the overall</p> <p>6 group, each on an individual basis, to develop</p> <p>7 these numbers.</p> <p>8 The 4.25, as I stated, was based upon</p> <p>9 trailing growth and benefit payments. The 2.17</p> <p>10 would have been adjusted based upon what</p> <p>11 information was available in the valuation report,</p> <p>12 and it reflects an adjustment for the plan freeze</p> <p>13 and for the cancellation of future COLAs, so,</p> <p>14 actually, two adjustments to get the 4.25 to the</p> <p>15 2.17.</p> <p>16 Q. Let me see. Just a few more of these</p> <p>17 letters, Mr. Bowen.</p> <p>18 - - -</p> <p>19 (Whereupon, a letter with attachment</p> <p>20 was marked, for identification</p> <p>21 purposes, as Bowen Deposition</p> <p>22 Exhibit Number 11.)</p>

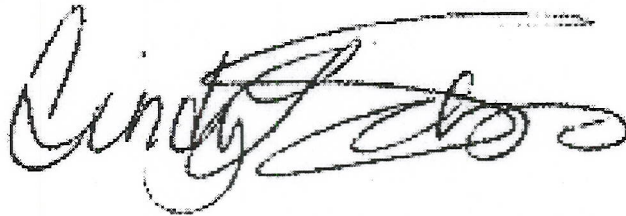


Page

C E R T I F I C A T E

DISTRICT OF COLUMBIA:

I, Cindy L. Sebo, a Notary Public within
and for the Jurisdiction aforesaid, do hereby
certify that the foregoing deposition was taken
before me, pursuant to notice, at the time and place
indicated; that said deponent was by me duly sworn
to tell the truth, the whole truth, and nothing but
the truth; that the testimony of said deponent was
correctly recorded in machine shorthand by me and
thereafter transcribed under my supervision with
computer-aided transcription; that the deposition is
a true record of the testimony given by the witness;
and that I am neither of counsel nor kin to any
party in said action, nor interested in the outcome
thereof.



Cindy L. Sebo, RMR, CRR, RPR, CSR,
District of Columbia, Notary Public
My Commission Expires April 14, 2015
CCR, CLR, RSA, Notary Public



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