

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

In re)	
)	Case No. 13-53846
CITY OF DETROIT, MICHIGAN,)	
)	In Proceedings Under Chapter 9.
)	
Debtor.)	Hon. Steven W. Rhodes
)	

**APPLICATION PURSUANT TO SECTIONS
901, 1102 AND 1103 OF THE BANKRUPTCY CODE
AND BANKRUPTCY RULE 2014 FOR ENTRY OF AN
ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT
OF LAZARD FRERES & CO. LLC AS FINANCIAL ADVISOR TO THE
OFFICIAL COMMITTEE OF RETIREES EFFECTIVE AS OF SEPTEMBER 3, 2013**

TO: THE HONORABLE STEVEN W. RHODES,
UNITED STATES BANKRUPTCY JUDGE

The Official Committee of Retirees (the "Committee") appointed in the above-captioned Chapter 9 case (the "Chapter 9 Case") of the City of Detroit, Michigan as debtor (the "City" or the "Debtor") hereby submits this application (the "Application") for an order, substantially in the form attached hereto as Exhibit 1, under sections 901, 1102 and 1103 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code"), Rule 2014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") authorizing the employment and retention of Lazard Frères & Co. LLC ("Lazard") as its financial advisor, effective as of September 3, 2013 (the "Retention Date"). This Application is supported by the Declaration of Andrew Yearley, Managing Director of Lazard, a copy of which is attached hereto as Exhibit 2 (the "Declaration") and incorporated by reference herein.

BACKGROUND

1. On July 18, 2013, the City of Detroit (the "City" or the "Debtor") filed a voluntary petition (the "Petition") for the adjustment of debt under Chapter 9 of the Bankruptcy Code.

2. Upon Motion of the City, the Court directed the appointment of an official committee for retired employees pursuant to section 1102(a)(2) by Order dated August 2, 2013.

3. The Committee was formed and parties were appointed thereto on August 22, 2013. The Committee selected and engaged counsel on August 28, 2013 and on September 3, 2013, selected and engaged Lazard as its financial advisor.

4. On September 9, 2013, the Court entered a certain Fee Review Order (ECF # 810) setting forth the procedures for the compensation of Committee professionals, including Lazard.

JURISDICTION

5. This Court has jurisdiction over this Application pursuant to 28 U.S.C. § 1334 and the Standing Order of Referral of Cases to Bankruptcy Judges of the United States District Court for the Eastern District of Michigan, entered [July 10, 1984]. This matter constitutes a "core proceeding" as that term is defined in 28 U.S.C. § 157(b). Venue of the Chapter 9 Case is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

RELIEF REQUESTED

6. By this Application, the Committee respectfully requests the entry of an order, pursuant to sections 901, 1102 and 1103 of the Bankruptcy Code and Bankruptcy Rule 2014, authorizing the Committee to retain and employ Lazard as its financial advisor in the

Chapter 9 Case, effective as of the Retention Date, pursuant to the terms, and subject to the conditions, of the engagement letter between the Committee and Lazard, dated as of September 3, 2013, a copy of which is attached hereto as Exhibit 3 (the "Engagement Letter"). The Engagement Letter describes (a) the various services that Lazard anticipates performing for the Committee in the Chapter 9 Case and (b) the terms and conditions of Lazard's proposed engagement by the Committee. Lazard's provision of services to the Committee is conditioned upon this Court's approval of the Engagement Letter.

BASIS FOR RELIEF REQUESTED

7. The Committee respectfully submits that the services of a financial advisor are necessary and appropriate to enable it to evaluate the complex financial and economic issues raised by the Debtor's bankruptcy proceeding and to effectively fulfill its statutory duties.

8. The Committee formally reviewed materials submitted by Lazard prior to selecting it as the Committee's financial advisor. The Committee selected Lazard to act as its financial advisor in the Chapter 9 Case because of Lazard's significant expertise in providing financial advisory services to debtors and creditors in restructurings and distressed situations. The Committee's selection of Lazard was also based on the Committee's determination that Lazard's proposed fee structure is competitive and appropriate given the Committee's understanding of the facts and circumstances of the Chapter 9 Case.

A. Lazard's Qualifications

9. Lazard is the U.S. operating subsidiary of a preeminent international financial advisory and asset management firm. Lazard, together with its predecessors and affiliates, has been advising clients around the world for over 150 years. Lazard has dedicated professionals who provide restructuring services to its clients.

10. Lazard and its professionals have extensive experience and an excellent reputation for providing high quality services parties in large and complex bankruptcy cases and other debt restructurings. The current managing directors, directors, vice presidents, associates and analysts of Lazard have extensive experience working with financially troubled entities in complex financial restructurings out-of-court and in bankruptcy cases. Lazard and its principals have advised debtors, creditors, equity constituencies and government agencies in many reorganization cases. Since 1990, Lazard's professionals have been involved in over 250 restructurings, representing over \$1 trillion in debtor assets, including the Chapter 11 cases of AbitibiBowater, Inc., Adelphia Communications Corporation, Armstrong World Industries, Inc., Calpine Corporation, Capmark Financial Group, Inc., Daewoo Corporation, Lehman Brothers Holdings, Inc., Tropicana Entertainment, LLC, Movie Gallery, Inc., New Century TRS Holdings, Inc., Northwest Airlines Inc., Owens Corning Corp., Vertis Holdings, Inc., Vlasic Foods International, Inc., WCI Communities, Inc., Wellman, Inc. and Worldcom, Inc.

11. Lazard and its professionals have also extensive experience representing and advising labor unions and retirees in the bankruptcy context. Lazard's experience in this context includes advising the UAW in the structuring and negotiation of the VEBA trusts for General Motors Corporation ("General Motors"), Ford Motor Company ("Ford") and Chrysler Corporation ("Chrysler"), and advising the UAW VEBA trusts in the Chapter 11 bankruptcies of General Motors and Chrysler, advising the UAW in the Section 1113 litigations in the Delphi Corporation bankruptcy. Lazard is also currently advising the Allied Pilots of American Airlines in the bankruptcy of American Airlines and the National Association of Letter Carriers in their ongoing collective bargaining and restructuring negotiations with the United States Postal Service.

12. Based on the foregoing and on Lazard's vast experience and expertise, the Committee believes that the employment and retention of Lazard as the financial advisor to the Committee in the Chapter 9 Case is in the best interests of the Committee.

B. The Services to be Provided by Lazard

13. The Committee anticipates that Lazard will render the following financial advisory services pursuant to the Engagement Letter to assist the Committee as requested:¹

- a. to analyze the City's long-term business plan, operations, and related financial projections, including budgets and operational assessments and assumptions of the City;
- b. to analyze the City's debt capacity and proposed capital structure;
- c. to review and analyze any valuation of the City's assets;
- d. to review and analyze any restructuring alternatives for the City proposed by any party;
- e. to evaluate the financial aspects of any potential DIP loan or other financing by the City;
- f. in connection with the financial aspects of negotiations with the City;
- g. in meetings with the City or other third parties as appropriate in connection with the matters set forth herein;
- h. to prepare documents and by providing testimony in or related to the City's chapter 9 proceedings in the United States Bankruptcy Court for the Eastern District of Michigan Southern Division (the "Bankruptcy Court"), as necessary and customary, with respect to matters on which we have been engaged to advise the Committee hereunder;
- i. in relation to all of the aforementioned services, to assist in the communications between the Committee and the other professionals performing services for the Committee in relation to the chapter 9 proceedings and potential litigation related thereto; and
- j. with such other financial advisory services as the Committee may from

¹ This Application summarizes the terms of the Engagement Letter. To the extent there is a conflict between the Application and the Engagement Letter, the Engagement Letter will govern.

time to time reasonably request and which are customarily provided by financial advisors acting in similar situations.

14. Pursuant to section 1103(a) of the Bankruptcy Code, a committee may retain advisors to assist in the Chapter 9 cases. See 11 U.S.C. § 1103(a). In the Chapter 9 Case, the Committee requires qualified professionals to render these essential financial advisory services. As discussed above, Lazard has substantial expertise as a financial advisor in complex bankruptcy cases, and is well qualified to perform these services and to assist the Committee in the Chapter 9 Case.

C. Professional Compensation

15. Subject to the Court's approval and, except as otherwise modified herein or by order of the Court, the Committee seeks the following consideration for Lazard's services (the "Fee Structure") pursuant to, and as further explained in, the Engagement Letter:

- **Monthly Fees:** Lazard will be paid a monthly fee (the "Monthly Fee") equal to \$175,000 per month, which will accrue upon execution of the Engagement Letter and on the first day of each month thereafter until any termination of Lazard's engagement pursuant to the Engagement letter. Each Monthly Fee will be paid in advance on the first day of each month.
- **Transaction Fee.** In addition to the Monthly Fee, upon the earlier of approval by the Bankruptcy Court of a settlement of the material claims of the Retiree Committee and the consummation of the City's chapter 9 proceedings, Lazard shall be paid an additional fee that will appropriately compensate Lazard in light of the magnitude and complexity of the issues in the chapter 9 proceedings, which fee will be mutually agreed in good faith by Lazard, the Retiree Committee, and the City.
- **Expenses:** In addition to any fees that may be payable to Lazard, the Debtor will promptly reimburse Lazard for all expenses (including expenses of its counsel, if any) incurred in connection with, or arising out of Lazard's activities under or contemplated by, their engagement.²

² None of the Committee, its constituents, or any of its advisors or professionals (including, but not limited to, counsel to the Committee) will be liable for the fees, expenses or other amounts payable to Lazard under the Engagement Letter; it being understood that all amounts payable to Lazard shall be paid by the City consistent with the terms of the Fee Review Order.

16. The Committee understands that during the pendency of the Chapter 9 Case, Lazard shall serve fee statements and file interim and final applications for allowance of the fees and expenses payable to it under the terms of the Engagement Letter, pursuant to the Bankruptcy Code, Bankruptcy Rules, Local Rules, the Fee Review Order, and such other procedures as may be fixed by order of this Court.

17. Any and all expenses incurred by Lazard will conform to the guidelines established by the Fee Review Order.

18. Lazard has informed the Committee that it is not the general practice of investment banking firms to keep detailed time records similar to those customarily kept by attorneys. Lazard's restructuring professionals, when formally retained in bankruptcy cases, and when required by local rules, do, and in this bankruptcy case will, keep time records in half hour increments describing their daily activities and the identity of persons who performed such tasks. Also, Lazard will supplement this information with a list of the non-restructuring professionals who assist the restructuring department on this matter but who do not, as a matter of general practice, keep the records in the same manner and, in accordance with their general practice, will not keep time records in this matter.

19. In addition, apart from the time recording practices described above, Lazard's restructuring personnel do not maintain their time records on a "project category" basis. The Committee has been advised that to have Lazard recreate the time entries for its restructuring personnel and require its non-restructuring personnel to record its time as prescribed by the Local Rules would be, in each case, unduly burdensome and time consuming. As such, the Committee submits that the half hour time records that Lazard's restructuring

personnel will provide should be sufficient for any review of the time entries in connection with a subsequent application for compensation.

D. Connections

20. In connection with this Application, counsel to the Committee provided Lazard with a list of creditors and other parties-in-interest in this Chapter 9 Case (the "Parties In Interest"). Lazard has informed the Committee that: (i) except as set forth in the Declaration and described below, it has no connection with the Debtor or the Parties In Interest in this case; (ii) it does not hold any interest adverse to the Debtor's estate; (iii) it is not owed any prepetition amounts from the Debtor; and (iv) it believes it is a "disinterested person" as defined in section 101(14) of the Bankruptcy Code.

21. Based on the foregoing, the Committee believes that the employment of Lazard would be in the best interests of the Committee and the Debtor.

NOTICE

22. Notice of this Application has been provided by first-class mail, postage pre-paid to: (a) the Office of the United States Trustee for the Eastern District of Michigan; (b) the City; (c) Kevin Orr, the Emergency Manager, (d) Jones Day, counsel to the Debtor; (e) the Fee Examiner and (f) all parties that have, pursuant to Bankruptcy Rule 2002, formally appeared and requested service. In light of the nature of the relief requested, the Committee submits that no other or further notice is necessary.

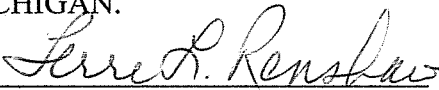
CONCLUSION

WHEREFORE, the Committee respectfully requests the Court to enter an order, substantially in the form attached hereto as Exhibit 1, authorizing the Committee to retain and employ Lazard as its financial advisor and investment banker, effective as of September 3, 2013, and to grant such other and future relief as the Court deems appropriate.

Dated: October 30, 2013

Respectfully submitted,

THE OFFICIAL COMMITTEE OF
RETIREES FOR THE CITY OF DETROIT,
MICHIGAN.

By: 

Name: Terri L. Renshaw

Title: Committee Chair

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

In re)	
)	Case No. 13-53846
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CITY OF DETROIT, MICHIGAN,)	In Proceedings Under Chapter 9.
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)	Hon. Steven W. Rhodes
Debtor.)	

**ORDER PURSUANT TO SECTIONS
901, 1102 AND 1103 OF THE BANKRUPTCY CODE
AND BANKRUPTCY RULE 2014 FOR ENTRY OF AN
ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT
OF LAZARD FRERES & CO. LLC AS FINANCIAL ADVISOR TO THE
OFFICIAL COMMITTEE OF RETIREES EFFECTIVE AS OF SEPTEMBER 3, 2013**

Upon the application of the Official Committee of Retirees (the "Committee") of the City of Detroit, Michigan as debtor (the "City" or "Debtor"), pursuant to sections 901, 1102, 1103 and 328(a) of the Bankruptcy Code and Bankruptcy Rules 2014 and 2016, for entry of an order authorizing the Committee to employ and retain Lazard Frères & Co. LLC ("Lazard") as their financial advisor effective as of September 3, 2013 (the "Application")¹, pursuant to the terms of the engagement letter between the Committee and Lazard (the "Lazard Agreement"); and Lazard having submitted the Declaration in support of the Application; and the Court being satisfied based on the representations made in the Application and the Declaration that Lazard neither represents nor holds any interest adverse to the Committee nor represents any other entity having an adverse interest in connection with this Chapter 9 case, and having considered the statements of counsel and the evidence adduced with respect to the Application at a hearing before the Court

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Application.

(the "Hearing"); and it appearing that the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; and it further appearing that this matter is a core proceeding pursuant to 28 U.S.C. § 157(b); and it further appearing that notice of the Application as set forth therein is sufficient under the circumstances, and that no further notice need be provided; and it further appearing that the relief requested in the Application is in the best interests of the Debtor, its estate and its creditors; and after due deliberation and sufficient cause appearing therefore, it is hereby

ORDERED that the Application is granted to the extent provided herein; and it is further

ORDERED that the Committee is authorized to retain and employ Lazard as its financial advisor and investment banker pursuant to sections 1102 and 1103 of the Bankruptcy Code on the terms set forth in the Lazard Agreement effective as of September 3, 2013

ORDERED that, consistent with the agreement of the Debtor, Lazard will be compensated and reimbursed by the Debtor, in accordance with and subject to the terms of the Fee Review Order, entered September 11, 2013 (ECF # 810); provided, however, that Lazard (a) shall only be required to maintain time records for services rendered post-petition, in half-hour increments and (b) shall not be required to provide or conform to any schedule of hourly rates; and it is further

ORDERED that in addition to compensation for professional services rendered by Lazard, Lazard is entitled to reimbursement by the Debtor for reasonable expenses incurred in connection with the performance of its engagement under the Lazard Agreement, in accordance with and subject to the terms of the Fee Review Order, entered September 11, 2013 (ECF # 810); and it is further

ORDERED that none of the fees payable to Lazard shall constitute a "bonus" or fee

enhancement under applicable law; and it is further

ORDERED that the terms of the Lazard Agreement are approved in all respects except as limited or modified herein; and it is further

ORDERED that the Fee Examiner retain all rights to object to Lazard's interim and final fee applications (including expense reimbursements) on all grounds provided in the Fee Review Order; and it is further

ORDERED that notwithstanding any provision to the contrary in the Application or the Lazard Agreement, during the Case the Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation of this Order.

3. Lazard is the primary U.S. operating subsidiary of a preeminent international financial advisory and asset management firm. Lazard, together with its predecessors and affiliates, has been advising clients around the world for over 150 years. Lazard has dedicated professionals who provide restructuring services to its clients.

4. The current managing directors, directors, vice presidents and associates of Lazard have extensive experience working with financially troubled entities in complex financial restructurings out-of-court and in bankruptcy proceedings. Lazard and its principals have been involved as advisor to debtor, creditor and equity constituencies and government agencies in many reorganization cases. Since 1990, Lazard professionals have been involved in over 250 restructurings, representing over \$1 trillion in debtor assets. In particular, Lazard has extensive experience representing and advising labor unions and retirees in the bankruptcy context. Lazard experience in this context includes advising the UAW in the structuring and negotiation of the VEBA trusts for General Motors Corporation ("General Motors"), Ford Motor Company ("Ford") and Chrysler Corporation ("Chrysler"), advising the UAW VEBA trusts in the Chapter 11 bankruptcies of General Motors and Chrysler, and advising the UAW in the Section 1113 litigations in the Delphi Corporation bankruptcy. Lazard is also currently advising the Allied Pilots of American Airlines in the bankruptcy of American Airlines and the National Association of Letter Carriers in their ongoing collective bargaining and restructuring negotiations with the United States Postal Service.

5. In connection with its proposed retention by the Committee in these cases, Lazard undertook to determine whether Lazard had any relationships that might cause it to hold or represent an interest adverse to the Committee. Specifically, Lazard obtained from the Committee and/or their representatives the names of individuals and entities that may be parties

in interest in these bankruptcy proceedings (the "Potential Parties in Interest") and such parties are listed on Schedule 1 annexed hereto.

6. To the extent that we have been able to ascertain that Lazard has been retained within the last three years to represent any of the other Potential Parties in Interest (or their apparent affiliates, as the case may be) in matters unrelated to these cases, based on an examination of electronic client files and records, such parties are listed on Schedule 2 annexed hereto. Lazard's representation of each entity listed on Schedule 2 (or its apparent affiliate, as the case may be), however, was or is only on matters that are unrelated to these cases. Other than as listed on Schedule 2, I am unaware of any engagements of Lazard by the Potential Parties in Interest within the last three years.

7. Given the size of the Firm and the breadth of Lazard's client base, it is possible, however, that Lazard may now or in the future be retained by one or more of the Potential Parties in Interest in unrelated matters. To the extent that Lazard discovers any, or enters into any new, material relationship with Potential Parties in Interest, it will supplement this disclosure to the Court promptly.

8. In addition to the parties listed on Schedule 2, Lazard may also represent now or in the future, or may have represented, affiliates of Potential Parties in Interest and Lazard may have worked with or work with now or in the future, and/or have now or in the future mutual clients with, certain accounting, law firms and other professionals who appear on the Potential Parties in Interest list. Lazard may also represent now or in the future, or may have represented in the past, committees or groups of lenders or creditors in connection with certain restructuring or refinancing engagements, which committees or groups include, or included, entities that appear on the Potential Parties in Interest list.

9. Although Lazard has researched the Potential Parties in Interest list, the Debtor may have creditors, competitors and other parties with whom they maintain business relationships that are not included as Potential Parties-in-Interest and with whom we may have had in the past, or may now or in the future have, relationships. Additionally, as noted above, Lazard is the primary U.S. operating subsidiary of an international financial advisory and asset management firm and thus has several legally separate and distinct affiliates. Although it is possible that employees of certain affiliates may assist Lazard in connection with Lazard's engagement, as Lazard is the only entity being retained by the Committee, we have researched only the electronic client files and records of Lazard, not of all of its affiliates, to determine relationships with any Potential Parties in Interest.

10. Lazard also has an asset management affiliates, Lazard Asset Management LLC ("LAM") and Lazard Frères Gestion ("LFG"), and an affiliate, Edgewater HoldCo LLC, that holds interest in the management companies for certain private funds (collectively, "Edgewater"). Each of LAM, LFG and Edgewater is operated as a separate and distinct affiliate and is separated from Lazard's businesses, although Lazard receives payments from LAM and Edgewater generated by their respective business operations. As part of its regular business operations, LAM and LFG may act as investment advisor for or trade securities (including in discretionary client accounts, and through the operation of hedge funds and mutual funds, in which cases investment decisions are made by LAM or LFG), including on behalf of creditors, equity holders or other parties in interest in these cases, or Lazard or its affiliates, managing directors and employees. Some of these LAM or LFG accounts and funds may have in the past or may now or in the future hold debt or equity securities of the Debtor or the Debtor's creditors, equity holders, or other parties in interest in these cases, and LAM and LFG may have relationships with such

parties. Furthermore, some of the investment funds managed by Edgewater may have in the past or may now or in the future hold debt or equity securities of the Debtor or the Debtor's creditors, equity holders, or other parties in interest in these cases. Additionally, the Debtor, creditors, equity holders, or other parties in interest in these cases, and Lazard or its affiliates, managing directors, and employees, may be investors in investment funds that are managed by Edgewater. Lazard has in place compliance procedures to ensure that no confidential or nonpublic information concerning the Debtor has been or will be available to employees of LAM, LFG or Edgewater.²

11. Other than as disclosed herein, Lazard has no relationship with the Debtor of which I am aware after due inquiry. Based upon the foregoing, I believe that Lazard does not hold or represent an interest adverse to the Committee.

12. Lazard has provided and agrees to continue to provide assistance to the Committee in accordance with the terms and conditions set forth in the Engagement Agreement, which is annexed to the Application as Exhibit 6. Pursuant to the Engagement Agreement, for services provided to the Committee in the above-referenced case, Lazard has agreed to charge a monthly fee of \$175,000. This monthly fee is consistent with or better than the amount of fees charged by Lazard in similar retentions in chapter 11 proceedings. In addition, the Engagement Agreement provides for a success fee to be agreed with the Committee and approved by the City.

² In addition, Lazard also has a business relationship with Lazard Capital Markets LLC ("LCM"). Effective May 10, 2005, Lazard transferred its then existing alternative investments business (which includes fund management and investment, but which did not include (and was prior to Lazard's acquisition of) Edgewater) and capital markets business (which includes equity research, syndicate, sales and trading) to new privately-held companies, Lazard Alternative Investments LLC ("LAI") and LCM, respectively, which are neither owned nor controlled by Lazard. LAI and LCM are owned and operated by LFCM Holdings LLC ("LFCM"), which is owned in large part by current and former Lazard managing directors. LFCM is separate from Lazard and its businesses. LFCM has informed us that it does not hold any proprietary interest in any of the Debtors' debt or equity securities. Potential Parties-in-Interest may be customers of LFCM or investors in funds managed by subsidiaries of LFCM, and LCM may have acted as underwriter in connection with offerings by Potential Parties-in-Interest (to the extent LCM has so acted as underwriter in the last three years such parties have been listed on Schedule 2).

The Engagement Agreement further provides for reimbursement of out-of-pocket expenses incurred by Lazard in connection with the services. Lazard acknowledges that payment of any amounts under the Engagement Agreement is subject to the terms of the Fee Review Order, dated September 11, 2013, Dkt. No. 810. No agreement or understanding exists to share any compensation received by Lazard for services to the Committee with any other person.

I declare under the penalty of perjury that the forgoing is true and correct, to the best of my knowledge.

Dated: October 24, 2013

LAZARD FRERES & CO. LLC

By: _____

Andrew Yearley
Managing Director

Schedule 1

Potential Parties in Interest

AFL-CIO	Detroit Institute of Arts
AFSCME Crossing Guards	Detroit License Investigators Ass'n
AFSCME Forestry and Landscape Foreman	Detroit Police Command Officers Association
AFSCME Motor City Seasonals	Detroit Police Lieutenants and Sergeants Association
AFSCME Non-Supervisory	Detroit Police Officers Association
AFSCME Non-supervisory Locals 214 & 312	Detroit Public Schools and Wayne County
AFSCME Paving Foreperson's	Deutsche Bank Securities Inc.
AFSCME Supervisory, Local 2394	Donald Taylor
Airgas USA, LLC :	DOT Foreman's Ass'n
Amalgamated Transit Union (ATU)	Douglas C. Bernstein
Ambac Assurance Corporation	Edward L. McNeil
Ass'n of City of Detroit Supervisors	Emergency Medical Service Officers Ass'n (EMS)
Ass'n of Detroit Engineers	Enjoi Transportation, LLC
Ass'n of Munic. Engineers (Supervisors of ADE)	Field Engineers Ass'n
Ass'n of Municipal Inspectors	Financial Guaranty Insurance
Ass'n of Prof. & Technical Employees	Financial Security Assurance
Ass'n of Prof. Construction Inspectors	Foreman's Ass'n
Assist. Supervisors of Street Maint. & Constr.	Gail M. Wilson
Assured Guaranty Municipal Corp.	Gail Turner
AT&T Michigan	General Motors LLC
Bishop Real Estate, L.L.C.	General Retirement System of the City of Detroit
BlackRock Financial Management, Inc.	Genuine Parts Company
Blue Cross Blue Shield of Michigan and Blue Care Network of Michigan	Health Alliance Plan of Michigan
Building Construction Trades – Foreman	Hercules & Hercules, Inc.
Building Construction Trades - Non-Supervisory	International Union of Op. Engineers - Local 324
Building Construction Trades - Special Service	International Union of Op. Engineers Supervisor Chapter of DOT
Buildings and Safety Inspectors – Tripartite	International Union, United Automobile, Aerospace and Agricultural Implement Workers of America
Caralyce M. Lassner	Janet M Ziulkowski
City of Detroit Water and Sewerage Department	Kenneth M. Schneider
City of Detroit, Michigan	Kurtzman Carson Consultants LLC
David Bing - Mayor	Leland Prince DTE Energy Co
Detroit Fire Fighters Association, I.A.F.F. Local 344	Local 324 Park Management Ass'n
Detroit Income Tax Investigators Ass'n	Local 324 Principal Clerks Unit
Detroit Institute of Arts	MBIA Insurance

Schedule 1

Potential Parties in Interest (cont'd)

McAlpine PC	Senior Accountants, Analysts & Appraisers
Merrill Lynch Capital Services, Inc.	Shirley V. Lightsey as President of the Detroit Retired City Employees Association
Michael J. Karwoski	State of Michigan
Michigan Auto Recovery Service, Inc.	State of Michigan, Department of Attorney General
Michigan Bell Telephone Company d/b/a AT&T Michigan	Syncora Capital Assurance
Michigan Council 25 of the American Federation of State, County & Municipal Employees	Syncora Guarantee Inc.
Michigan Council 25 of the American Federation of State, County & Municipal Employees, AFL-CIO	Syncora Holdings Ltd.
Nathaniel Brent	Teamsters, Local 214
National Industrial Maintenance - Michigan, Inc.	Teamsters, Local 214
National Public Finance Guarantee Corporation	Terri L. Renshaw
New England Fertilizer Company	U.S. Bank N.A.
Nuveen Asset Management	U.S. Bank National Association
ODM, LLC	UAW Local 212 (Civilian Police Investigators)
Police and Fire Retirement System of the City of Detroit	UAW Local 2211 (Public Attorneys Ass'n)
Police and Fire Retirement System of the City of Detroit	UAW Local 412-Unit 86 (Law Dep't Paralegals)
Police Officers Labor Council (DetroitFac. Officers)	UBS AG
Police Officers Labor Council (Health Department)	UBS Securities LLC
Retired Detroit Police and Fire Fighters Association	United States of America
Rick Synder - Governor	Upright Wrecking & Demolition, L.L.C.
Robert A. Shinske	US Health & Life Insurance Company
SBS Financial Products	Wade Trim Associates, Inc.
Schneiderman and Sherman, P.C	Wendy Fields-Jacobs
SEIU Local 517M - Non-Supervisory	Xerox Corporation
SEIU Local 517M - Prof. & Tech. Unit	XL Capital Assurance
SEIU Local 517M - Supervisory	

Schedule 2

Relationships With Potential Parties In Interest

AFL-CIO	SEIU
Ambac (creditor representation)	US Bank N.A.
Financial Guaranty Insurance (representation of Weil as counsel to the liquidator of FGIC)	United States of America (Department of Treasury; Department of Energy)
MBIA	Xerox
General Motors	

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

-----X	
In re	: Chapter 9
	: :
CITY OF DETROIT, MICHIGAN,	: Case No. 13-53846
	: :
Debtor,	: Hon. Steven W. Rhodes
	: :
-----X	

**VERIFIED STATEMENT OF LAZARD FRERES & CO. LLC
PURSUANT TO PARAGRAPH 2 OF FEE REVIEW ORDER**

In accordance with paragraph 2 of the Fee Review Order, dated September 11, 2013, Dkt. No. 810, Lazard Frères & Co. LLC, as financial advisor to the Official Retiree Committee (the “Committee”), makes the following statement:

1. I am a Managing Director of Lazard Frères & Co. LLC (“Lazard”), which maintains offices at 30 Rockefeller Plaza, New York, New York 10020.

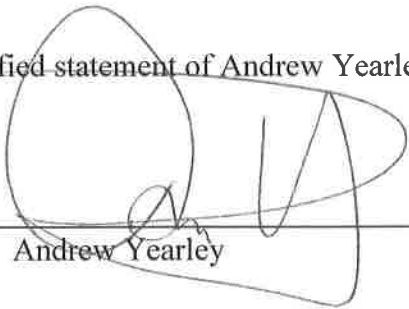
2. For services provided to the Committee in the above-referenced case, Lazard has agreed to charge a monthly fee of \$175,000. This monthly fee is consistent with or better than the amount of fees charged by Lazard in similar retentions in chapter 11 proceedings. In addition, the engagement letter provides for a success fee to be agreed with the Committee and approved by the City.

3. Lazard has further advised the Committee that, consistent with Lazard’s practice with respect to its other clients, it will also charge for out-of-pocket expenses incurred by Lazard in connection with services rendered in these matters including, but not limited to, photocopying, travel, and other fees and expenses which are consistent with the Fee Review Order.

4. Pursuant to paragraph 2(a), attached hereto as Exhibit 1 is a true and correct copy of Lazard's engagement letter.

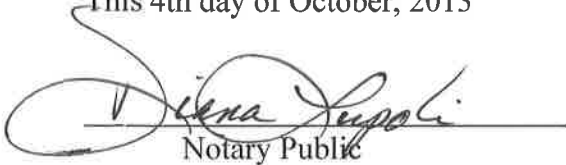
5. Pursuant to paragraph 2(c), attached hereto as Exhibit 2 is a true and correct copy of Lazard's billing and expense categories that it will use in its Monthly invoices (as defined in the Fee Review order).

6. The foregoing constitutes the verified statement of Andrew Yearley.



Andrew Yearley

Sworn to and subscribed before me
This 4th day of October, 2013



Notary Public

DIANA M. LUPOLI
Notary Public, State of New York
No. 30-4931862
Qualified in Nassau County
Commission Expires June 20, 2014

EXHIBIT 1

LAZARD ENGAGEMENT LETTER

LAZARD

As of September 3, 2013

Official Committee of Retirees of the City of Detroit
c/o Dentons US LLP
1221 Avenue of the Americas
New York, NY 10020-1089

Ladies and Gentlemen:

This letter (the “Agreement”) confirms the terms of the agreement between Lazard Frères & Co. LLC (“Lazard”) and the Official Committee of Retired Employees (the “Retiree Committee”) of The City of Detroit (the “City”) regarding the retention of Lazard to act as financial advisor to the Retiree Committee in connection with the proceedings the City sought and which may continue under chapter 9 of the United States Bankruptcy Code (Case No. 13-53846-SWR) as well as other potential litigation related thereto, as further described below.

I. Scope of Services. Lazard shall assist the Retiree Committee, as necessary and requested by the Retiree Committee:

- a. to analyze the City’s long-term business plan, operations and related financial projections, including conducting a detailed review of the City’s historical and projected revenue sources, operating costs, and cash flow projections, budgets and operational assessments;
- b. to analyze the reasonableness of the City’s assumptions supporting its financial budgets, forecasts and projections and to prepare sensitivity analyses analyzing the impact of certain adjustments to those assumptions;
- c. to analyze the City’s debt capacity and proposed capital structure;
- d. to review and analyze any valuation of the City’s assets;
- e. to review and analyze any restructuring alternatives for the City proposed by any party, including the Retiree Committee;
- f. to evaluate the financial aspects of any potential DIP loan or other financing by the City;
- g. in connection with the financial aspects of negotiations with the City;

Lazard Frères & Co. LLC
30 Rockefeller Plaza
New York, NY 10112

- h. in meetings with the City or other third parties as appropriate in connection with the matters set forth herein;
- i. to prepare documents and by providing testimony in or related to the City's chapter 9 proceedings in the United States Bankruptcy Court for the Eastern District of Michigan Southern Division (the "Bankruptcy Court"), as necessary and customary, with respect to matters on which we have been engaged to advise the Retiree Committee hereunder;
- j. in relation to all of the aforementioned services, to assist in the communications between the Retiree Committee and the other professionals performing services for the Retiree Committee in relation to the chapter 9 proceedings and potential litigation related thereto; and
- k. with such other financial advisory services as the Retiree Committee may from time to time reasonably request and which are customarily provided by financial advisors acting in similar situations.

II. Nature of Services. It is expressly understood that Lazard is engaged hereunder solely to provide services to the Retiree Committee as a group. Each member of the Retiree Committee understands and agrees that Lazard will provide the services described in this Agreement to the Retiree Committee as a group, and not for the individual members of the Retiree Committee. Lazard is being retained on behalf of, and will report solely to, the Retiree Committee, notwithstanding that Lazard's fees and expenses will be paid solely by the City. To the extent that Lazard's representation of the Retiree Committee as a group or the payment of Lazard's fees and expenses by the City may create a conflict of interest in respect of Lazard's engagement hereunder, each member of the Retiree Committee has waived any right to claim that such a conflict of interest may now or hereafter exist. Without limiting the foregoing, given that the services provided hereunder relate to potential litigation, it is expected that attorneys to the Retiree Committee will be involved in discussions related to Lazard's services and will be advising the Retiree Committee in seeking such services. It is therefore the intention that Lazard's work will be covered by the attorney work-product doctrine and other applicable privileges.

III. Compensation. Lazard's compensation for services rendered under this agreement shall be paid by the City and will consist of the following cash fees:

- A. Monthly Fee. A monthly fee of \$175,000 (the "Monthly Fee"), payable on execution of this Agreement and on the first day of each month thereafter until the earlier of the completion of the case or the termination of Lazard's engagement pursuant to Section 7.

- B. Transaction Fee. In addition to the Monthly Fee, upon the earlier of approval by the Bankruptcy Court of a settlement of the material claims of the Retiree Committee and the consummation of the City's chapter 9 proceedings, Lazard shall be paid an additional fee that will appropriately compensate Lazard in light of the magnitude and complexity of the issues in the chapter 9 proceedings, which fee will be mutually agreed in good faith by Lazard and the Retiree Committee, taking into account the results achieved, and subject to approval of the City.
- C. Expense Reimbursement. In addition to any fees that may be payable to Lazard, the Retiree Committee shall seek from the City prompt reimbursement to Lazard, and the City shall promptly thereafter reimburse Lazard, for all reasonable expenses (including expenses of counsel, if any), travel and lodging, data processing and communications charges, courier services and other expenditures incurred in connection with, or arising out of Lazard's activities under or contemplated by, this engagement, including any expenses resulting from Lazard becomes involved in any legal proceeding or investigation related to Lazard's engagement hereunder. Lazard will provide the Retiree Committee with an invoice setting out the details of such expenses.
- D. No fee payable to any other person, by the City, the Retiree Committee or any other person or entity, shall reduce or otherwise affect any fee payable hereunder.
- E. All amounts referenced hereunder reflect United States currency and shall be paid promptly in cash after such amounts accrue hereunder.
- F. For the avoidance of any doubt, it is understood that all amounts payable hereunder shall be paid by the City and not by the Retiree Committee.
- IV. Information. The Retiree Committee, ^{through its Counsel, TOLAH} shall cause the City to provide Lazard with all information concerning the business, assets, liabilities, operations, cash flows, properties, financial condition and prospects of the City that Lazard reasonably requests in connection with the services to be performed for the Retiree Committee hereunder. At all times during Lazard's engagement Lazard will be assuming that all information furnished to Lazard by or on behalf of the Retiree Committee, the City and third parties (i) is accurate and complete in all material respects and (ii) does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading in light of the circumstances under which such statements are made. In advising pursuant to its engagement hereunder, Lazard will be using and relying on publicly available information and on data, material and other information furnished to Lazard by the City, the Retiree Committee and other parties. Lazard does not assume and shall not have any responsibility for independent verification of such information. Lazard will not, as part of its engagement, undertake any independent appraisal of any of the assets or liabilities of the City, the Retiree Committee or of any third party, or opine or give advice with respect to any issues of solvency.

- V. Limitations on Services as Advisor. In rendering its services to the Retiree Committee, Lazard is not assuming any responsibility for the Retiree Committee', the City's, or any other person's underlying business decision to pursue (or not to pursue) any business strategy or to effect (or not to effect) any other transaction(s) or decision(s). Lazard shall not have any obligation or responsibility to provide accounting, audit, "crisis management," or business consultant services for the City, the Retiree Committee or any other person or entity and shall have no responsibility for designing or implementing operating, organizational, administrative, cash management or liquidity improvements. Nothing in this Agreement is intended to obligate or commit Lazard or any of its affiliates to provide any services other than those set forth above. Lazard will not be responsible for and will not be deemed to have provided any tax, accounting, actuarial, legal or other similar specialist advice.
- VI. Termination. Lazard's engagement hereunder will automatically terminate upon consummation of the City's chapter 9 proceedings and may be earlier terminated in writing by either the Retiree Committee or Lazard at any time, without continuing liability to the City, the Retiree Committee or Lazard; provided, however, that (i) termination or expiration of Lazard's engagement hereunder shall not affect the obligations and agreements under paragraphs II, IV, V, this paragraph VI, VII, VIII, IX, X, XI, XII, XIII and XIV hereof, (ii) notwithstanding any such termination or expiration, Lazard shall remain entitled to any fees accrued pursuant to paragraph III but not yet paid prior to such termination or expiration and to reimbursement of expenses pursuant to paragraph III incurred prior to such termination or expiration, and (iii) in addition, in the case of termination by the Retiree Committee (other than due to the bad faith, gross negligence or willful misconduct of Lazard) or any expiration of Lazard's engagement, Lazard shall remain entitled to full payment of all fees contemplated by paragraph IIIB hereof in respect of any subsequent settlement of the material claims of the Retiree Committee or consummation of the City's chapter 9 proceedings, whichever comes first.
- VII. Independent Contractor/Confidentiality of Advice. Lazard has been retained under this agreement as an independent contractor to the Retiree Committee only; nothing herein is intended to create or shall be construed as creating a fiduciary relationship between Lazard and the Retiree Committee, the City or any other person. Lazard is not the trustee of, and is not authorized to bind, the Retiree Committee in any action or decision. The advice (oral or written) rendered by Lazard pursuant to this agreement is intended solely for the benefit and use of the Retiree Committee in considering the matters to which this agreement relates, and, notwithstanding any termination or expiration of Lazard's engagement hereunder, such advice may not be relied upon by any other person or entity, used for any other purpose or reproduced, disseminated, quoted or referred to at any time, in any manner for any purpose, nor shall any public references to Lazard be made by the Retiree Committee, without the prior consent of Lazard. Notwithstanding the foregoing, nothing herein shall prohibit any party hereto from disclosing to any and all persons the tax treatment and tax structure of any transaction and the portions of any materials that relate to such tax treatment or tax structure.

- VIII. Limitation of Liability. Neither Lazard nor any of our affiliates, nor any of our or their respective directors, officers, members, employees, agents or controlling persons, if any (each of the foregoing, including Lazard, being an "Released Person"), shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Retiree Committee or its members or their respective partners, directors, officers, employees, agents, affiliates, securityholders or creditors or any other person for or in connection with Lazard's engagement or any transactions or conduct in connection therewith, except to the extent that any losses, claims, damages, liabilities or expenses incurred by the Retiree Committee are found by a court of competent jurisdiction in a judgment which has become final in that it is no longer subject to appeal or review to have resulted primarily from such Released Person's bad faith, gross negligence or willful misconduct.
- IX. Successors and Assigns. This agreement shall be binding upon each party hereto and their respective successors and assigns. Lazard has been engaged hereunder on behalf of only the Retiree Committee as a group and Lazard's engagement is not deemed to be on behalf of and is not intended to confer any rights upon, or duties to, any individual member of the Retiree Committee, the City, any constituent or creditor of the City, or any other person or entity other than the Released Persons.
- X. Authority. Each party hereto represents and warrants that it has all requisite power and authority to enter into this Agreement and the transactions contemplated hereby. Each party hereto further represents and warrants that this Agreement has been duly and validly authorized by all necessary corporate or other action on the part of such party, has been duly executed and delivered by such party and constitutes a legal, valid and binding agreement of such party, enforceable in accordance with its terms. Without limiting the generality of the foregoing, the person signing this Agreement on behalf of the Retiree Committee represents and warrants that he or she has all requisite power and authority to enter into this agreement on behalf of the Retiree Committee, that this agreement has been duly and validly authorized by all necessary action to bind the Retiree Committee to the terms hereof that are applicable to the Retiree Committee, that this agreement has been duly executed and delivered on behalf of the Retiree Committee and, with respect to the terms hereof that are applicable to the Retiree Committee, constitutes a legal, valid and binding agreement of the Retiree Committee, enforceable against the Retiree Committee in accordance with its terms.
- XI. Miscellaneous. This Agreement constitutes the entire understanding of the parties hereto regarding the matters set forth herein and shall supersede all prior understandings and proposals, whether written or oral, relating to any of such matters contemplated herein. This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument. This Agreement may only be amended or waived by a writing signed by the party against whom enforcement is sought.

- XII. Bankruptcy Proceedings. Notwithstanding anything to the contrary set forth in this Agreement, Lazard acknowledges that payment of any amounts due hereunder is subject to the terms of the Fee Review Order entered by the Bankruptcy Court on September 11, 2013. The Retiree Committee agrees to use commercially reasonable efforts to cause the Bankruptcy Court to enter an order approving Lazard's retention on the terms set forth in this agreement, including payment by the City of amounts due hereunder, and to cause the City to pay any amounts due hereunder pursuant to the terms of the Fee Review Order entered by the Bankruptcy Court on September 11, 2013. The Retiree Committee further agrees that it believes that the amounts payable to Lazard hereunder are reasonable, regardless of the number of hours to be expended by Lazard's professionals in the performance of its the services.
- XIII. Lazard Group. If appropriate in connection with performing its services for the Retiree Committee hereunder, Lazard may utilize the services of one or more of its affiliates, in which case references herein to Lazard shall include such affiliates. Any such affiliate so employed shall be entitled to all of the benefits afforded to Lazard hereunder and shall be entitled to be reimbursed for its costs and expenses on the same basis as Lazard.
- XIV. Choice of Law. This agreement and any claim related directly or indirectly to this agreement (including any claim concerning advice provided pursuant to this agreement) shall be governed by and construed in accordance with the laws of the State of New York without regard to the principle of conflicts of law. No such claim shall be commenced, prosecuted or continued in any forum other than the courts of the State of New York located in the City and County of New York or in the United States District Court for the Southern District of New York, and each of the parties hereby submits to the jurisdiction of such courts, except that during the pendency of the City's chapter 9 proceedings such claims shall be commenced in the Bankruptcy Court. Each party hereto hereby waives on behalf of itself and its successors and assigns any and all right to argue that the choice of forum provision is or has become unreasonable in any legal proceeding. ANY RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY CLAIM OR ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT OR CONDUCT IN CONNECTION WITH THIS ENGAGEMENT IS HEREBY WAIVED BY EACH PARTY HERETO.

If the foregoing agreement is in accordance with your understanding of the terms of our engagement, please sign and return to us the enclosed duplicate of this Agreement.

Very truly yours,

LAZARD FRERES & CO. LLC

By: _____

Ron Bloom
Managing Director

AGREED TO AND ACCEPTED
as of the date first
above written:

OFFICIAL COMMITTEE OF RETIREES OF THE CITY OF DETROIT

By: _____

Name: Terri Renshaw
Title: Committee Chair

EXHIBIT 2
EXPENSE CATEGORIES

EXPENSE CATEGORIES

Expense Category	Service Provider (if applicable)	Total Expenses
Car Services and Taxis		\$0.00
Consulting – Non-IT		0.00
Courier/Shipping		0.00
Electronic Information Service		0.00
Employee Meals		0.00
Hard Copy Information		0.00
Legal Expenses		0.00
Legal Fees		0.00
Meals-Meetings/Travel		0.00
Miscellaneous		0.00
Presentation Costs/Graphics		0.00
Photocopying Costs		0.00
Telephone/Telex/Fax Usage		0.00
Travel		0.00
Grand Total Expenses		\$0.00