

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

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

**STIPULATION FOR ENTRY OF SUPPLEMENT TO SECOND AMENDED FINAL
PRE-TRIAL ORDER**

Pursuant to Local Rule 7016, (i) The Michigan Council 25 of the American Federation of State, County & Municipal Employees, AFL-CIO and Sub-Chapter 98, City of Detroit Retirees (“**AFSCME**”) and (ii) the City of Detroit (“**City**”, and together with AFSCME, the “**Parties**”) have conferred and hereby stipulate to entry of the attached supplemental order (the “**Supplemental PTO**”, attached hereto as **Exhibit 1**) regarding the Second Amended Final Pre-Trial Order dated November 10, 2013 [Docket No. 1647] (the “**Second Amended PTO**”). The Supplement includes the following deposition designations and counter-designations to the Gaurav Malhotra September 20, 2013 deposition transcript, which designations were included in the original Amended Final Pre-Trial Order [Docket No. 1354], but inadvertently omitted from the Second Amended PTO:

Gaurav Malhotra, September 20, 2013

1. Consolidated Designations

44:21–45:17
54:22–55:12
56:9–57:1
86:20–23

2. City’s Counter-Designations

45:18 - 46:1

The relevant pages from the Gaurav Malhotra, September 20, 2013 deposition transcript are attached as **Exhibit 2** hereto for the Court's reference. The Parties respectfully request entry of the Supplemental PTO at the Court's convenience.

Dated: November 13, 2013

LOWENSTEIN SANDLER LLP

/s/ Sharon L. Levine

Sharon L. Levine, Esq.

Philip J. Gross, Esq.

65 Livingston Avenue

Roseland, New Jersey 07068

(973) 597-2500 (Telephone)

(973) 597-6247 (Facsimile)

slevine@lowenstein.com

pgross@lowenstein.com

-and-

Herbert A. Sanders, Esq.

THE SANDERS LAW FIRM PC

615 Griswold St., Suite 913

Detroit, MI 48226

(313) 962-0099 (Telephone)

(313) 962-0044 (Facsimile)

hsanders@miafscme.org

-and-

Richard G. Mack, Jr., Esq.

MILLER COHEN, P.L.C.

600 West Lafayette Boulevard

4th Floor

Detroit, MI 48226-3191

Counsel to Michigan Council 25 of the American Federation of State, County and Municipal Employees (AFSCME), AFL-CIO and Sub-Chapter 98, City of Detroit Retirees

/s/ Bruce Bennett

Bruce Bennett (CA 105430)

JONES DAY

555 South Flower Street

Fiftieth Floor
Los Angeles, California 90071
Telephone: (213) 243-2382
Facsimile: (213) 243-2539
bbennett@jonesday.com

David G. Heiman (OH 0038271)
Heather Lennox (OH 0059649)
JONES DAY
North Point
901 Lakeside Avenue
Cleveland, Ohio 44114
Telephone: (216) 586-3939
Facsimile: (216) 579-0212
dgheiman@jonesday.com
hlennox@jonesday.com
Jonathan S. Green (MI P33140)
Stephen S. LaPlante (MI P48063)

MILLER, CANFIELD, PADDOCK
AND STONE, P.L.C.
150 West Jefferson
Suite 2500
Detroit, Michigan 48226
Telephone: (313) 963-6420
Facsimile: (313) 496-7500
green@millercanfield.com
laplante@millercanfield.com

Counsel for the City of Detroit, Michigan

EXHIBIT 1

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

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

SUPPLEMENTAL ORDER REGARDING SECOND AMENDED FINAL PRE-TRIAL ORDER

Having been advised in the premises and having considered the stipulation between the City and AFSCME (the “**Stipulation**”) to entry of a supplement to the Second Amended Final Pre-Trial Order dated November 10, 2013 [Docket No. 1647] (the “**Second Amended PTO**”).

IT IS ORDERED THAT:

1. The Stipulation is GRANTED as set forth herein.
2. The following deposition designations and counter-designations are

deemed to be part of the Second Amended PTO:

Gaurav Malhotra, September 20, 2013

1. Consolidated Designations

44:21–45:17
54:22–55:12
56:9–57:1
86:20–23

2. City’s Counter-Designations

45:18 - 46:1

EXHIBIT 2

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IN THE 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
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The videotaped deposition of GAURAV MALHOTRA, called for examination, taken pursuant to the Federal Rules of Civil Procedure of the United States District Courts pertaining to the taking of depositions, taken before JULIANA F. ZAJICEK, CSR No. 84-2604, a Certified Shorthand Reporter of said State of Illinois, at the offices of Jones Day, Suite 3500, 77 West Wacker Drive, Chicago, Illinois, on September 20, 2013, at 9:30 a.m.

1 APPEARANCES:

2 JONES DAY,
3 (51 Louisiana Avenue, N.W.,
4 Washington, D.C. 20001-2113,
5 202-897-3939), by:
6 MR. GEOFFREY S. STEWART,
7 gstewart@jonesday.com;
8 MR. CHRISTOPHER DiPOMPEO,
9 cdipompeo@jonesday.com,

10 appeared on behalf of the Debtor
11 and the witness;

12 LATHAM & WATKINS LLP,
13 (355 South Grand Avenue,
14 Los Angeles, California 90071-1560,
15 213-485-1234), by:
16 MR. WAYNE S. FLICK,
17 wayne.s.flick@lw.com,

18 appeared telephonically on behalf of
19 Ernst & Young;

20 DENTONS,
21 (233 South Wacker Drive, Suite 7800,
22 Chicago, Illinois 60606-6306,
23 312-876-2572), by:
24 MS. LEAH R. BRUNO,
leah.bruno@dentons.com;
MS. MELISSA A. ECONOMY,
melissa.economy@dentons.com,

appeared on behalf of Retirees Committee;

COHEN WEISS AND SIMON LLP,
(330 West 42nd Street,
New York, NY 10036-6979,
212-356-0216), by:
MR. PETER D. DeCHIARA,
pdechiara@cwsny.com,

appeared telephonically on behalf of the
International Union, UAW;

1 APPEARANCES: (Continued)

2 LOWENSTEIN SANDLER LLP,
3 (65 Livingston Avenue,
4 Roseland, New Jersey 07068,
5 973-597-2346), by:
6 MR. S. JASON TEELE,
7 steele@lowenstein.com,

8 appeared on behalf of AFSCME;

9 CLARK HILL PLC,
10 (151 South Old Woodward, Suite 200,
11 Birmingham, Michigan 48009,
12 248-642-9692), by:
13 MR. JOHN R. STEVENSON,
14 jstevenson@clarkhill.com,

15 appeared telephonically on behalf of the
16 Police and Fire Retirement System of the
17 City of Detroit and the General Retirement
18 System of the City of Detroit;

19 WEIL, GOTSHAL & MANGES LLP,
20 (767 Fifth Avenue,
21 New York, New York 10153,
22 212-310-8257), by:
23 MS. DANA KAUFMAN,
24 dana.kaufman@weil.com,

appeared telephonically on behalf of
Fidelity Guaranty Insurance Company;

LIPPITT O'KEEFE, PLLC,
(370 East Maple, 3rd Floor,
Birmingham, Michigan 48009,
248-646-8292), by:
MR. RYAN C. PLECHA,
rplecha@lippittokeefe.com,

appeared telephonically on behalf of the
Detroit Retired Police and Fire Fighters
Association, Detroit Retired City
Employees Association, Don Taylor,
individually and as president of the
RDPFFA, and Shirley Lightsey, individually
and as president of the DRCEA;

1 APPEARANCES: (Continued)

2 STROBL & SHARP, P.C.,
3 (300 East Long Lake Road, Suite 200,
4 Bloomfield Hills, Michigan 48304-2376,
5 248-540-2300), by:
6 MS. MEREDITH E. TAUNT,
7 mtaunt@stroblpc.com,
8 appeared telephonically on behalf of the
9 Retired Detroit Police Members
10 Association.

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8

9

10 REPORTED BY: JULIANA F. ZAJICEK, C.S.R.
11 CERTIFICATE NO. 84-2604.

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1 A. I think that generally is what's
2 reflective in the forecasts with respect to that there
3 is a -- a reduction in the pace of the decline over
4 the -- in the outer years. I think that is currently
5 reflective in the forecast.

6 Q. But there are no scenarios that would
7 include an actual rise in the population, is that
8 correct?

9 A. I don't recall.

10 Q. You would agree that if the population
11 does grow, it would affect the results of any
12 forecasts, correct?

13 A. If you change the assumptions, the numbers
14 will change, yes.

15 Q. And, in fact, it could dramatically affect
16 it, correct?

17 MR. STEWART: Objection.

18 BY THE WITNESS:

19 A. I don't know about that.

20 BY MS. BRUNO:

21 Q. Returning to your declaration in
22 Paragraph 10, it states that, "The work conducted by
23 Ernst & Young developing the cash flow forecasts as
24 well as the ten-year projection" -- "projections,"



1 excuse me, "were limited to the City's general fund,"

2 is that correct?

3 A. That is correct.

4 Q. In other words, the projections assume
5 that there are no other funds available to the City
6 beyond the general fund, is that correct?

7 A. It -- it assumes that the general fund
8 will not have additional funds from other funds, yeah,
9 that's generally correct.

10 Q. What about the City having available --
11 other available funds outside of the general fund?

12 A. The City has multiple funds outside the
13 general fund. The main one is the water and sewer,
14 which we did not perform a ten-year projection on the
15 water and sewer funds. My understanding is that those
16 funds are not necessarily available to the general
17 fund.

18 Q. To the general fund that may be correct,
19 but it would be available to the City, would it not?

20 MR. STEWART: Objection.

21 BY THE WITNESS:

22 A. It would be available to the City for the
23 purposes those funds were raised for, which is
24 generally maintenance and capital improvements on the



1 water and sewer side.

2 BY MS. BRUNO:

3 Q. Let's backtrack a little bit. I think
4 we've gone in a different direction than I'm trying to
5 focus on.

6 My question to you is: The forecasts that
7 you provided in this declaration are limited solely to
8 the general fund, is that correct?

9 A. They are generally limited to the general
10 fund, other than if they were other enterprise funds
11 the City was subsidizing, like the Department of
12 Transportation, those would have been included in the
13 general fund as it is a -- a fund that the City
14 subsidizes and has historically subsidized.

15 Q. So you would agree, though, that subject
16 to your exception there that the assumptions and
17 forecasts provided in this declaration do not take
18 into account other funds available to the City?

19 MR. STEWART: Objection.

20 BY THE WITNESS:

21 A. You have to rephrase your question.

22 BY MS. BRUNO:

23 Q. The forecasts and cash flows, the
24 projections, the information that is discussed in your



1 your prior deposition, I'll hand it to you. It was
2 the Proposal For Creditors --

3 A. Okay.

4 Q. -- dated June 14.

5 And I believe the assets are identified on
6 90. And it is 90 of the computer generated numbers on
7 the bottom.

8 And on pages 90 through 96, the
9 presentation discussed various assets that the City
10 could derive some cash benefit from, correct?

11 MR. STEWART: Objection.

12 BY THE WITNESS:

13 A. Yes.

14 BY MS. BRUNO:

15 Q. And, well, I don't want to quarrel or even
16 discuss with you what the actual specific value of any
17 one of those assets are, but you would agree that the
18 implementation of any of these proposals would improve
19 the City's cash position, would it not?

20 MR. STEWART: Objection.

21 BY THE WITNESS:

22 A. Here is what I would say. The current
23 ten-year projections right now do not include any
24 incremental proceeds that could be available to the



1 City from asset sales. And that's where I -- because

2 that's what's very clearly laid out in the proposal.

3 If there are proceeds available that are

4 available to the City, those numbers would change.

5 But I can at least highlight and articulate what the

6 assumptions are with respect to the ten-year forecast

7 that the City has put out.

8 BY MS. BRUNO:

9 Q. And so your assumptions include that none

10 of these assets will be disposed of in any way, is

11 that correct?

12 A. That's generally correct.

13 Q. Sticking with Exhibit No. 4 before you, if
14 you'd turn to page 80 of the document. I'm sorry. I
15 should say 87 of the computer generated numbers.

16 And this is a portion of the presentation
17 that discusses increasing the tax collection. You
18 look like you are on a different page than I am here.

19 A. 87.

20 Q. You've got it?

21 A. Yes.

22 Q. You would agree that increasing the tax
23 collection rates and improving the collection of past
24 due taxes could materially improve the City's

1 financial position, could it not?

2 MR. STEWART: Objection.

3 BY THE WITNESS:

4 A. Yeah, I can't answer that because I do not
5 know the magnitude of what you are referring to in
6 terms of your question and what the definition of
7 material is.

8 BY MS. BRUNO:

9 Q. Well, the presentation here, the June 14th
10 presentation discussed at the fourth bullet down
11 identifies approximately \$250 million of unpaid or
12 outstanding tax debts. If those debts would be --
13 could be addressed and collected, that would be a
14 material improvement in the cash position, would it
15 not?

16 MR. STEWART: Objection.

17 BY THE WITNESS:

18 A. This amount that has been identified by a
19 third party, Compuware, for \$250 million, I do not
20 know what portion of it has been included specifically
21 in the work with respect to collection efforts that
22 Conway MacKenzie has done, but my assumption is it
23 wouldn't have been to the magnitude of \$250 million.
24 So, if \$250 million were collected, it



1 would improve the overall profile is my assumption.

2 BY MS. BRUNO:

3 Q. I have heard estimates that a more
4 accurate estimate of outstanding tax debt is
5 significantly higher than \$250 million.

6 Are you familiar with these higher
7 estimates that are being discussed?

8 MR. STEWART: Objection.

9 BY MS. BRUNO:

10 Q. Have been discussed?

11 MR. STEWART: Objection.

12 BY THE WITNESS:

13 A. No.

14 BY MS. BRUNO:

15 Q. You have not heard that the outstanding
16 tax debt available to the City could be as much as
17 \$700 million?

18 A. I have not heard that, that I recall.

19 Q. To be clear, your forecasts don't account
20 for the collection, any type of truly significant to
21 this degree of outstanding debt, is that correct?

22 MR. STEWART: Objection.

23 BY THE WITNESS:

24 A. That's correct.



1 inadvisable for the City to file Chapter 9?

2 A. No. EY specifically, our team analyzed
3 that given all of the concessions, the active work
4 force and the cost reduction efforts that had been
5 taking place in addition to some of the efforts with
6 respect to reducing the active work force as well as
7 wage reductions and combined with the declining
8 revenues, that a rationalization or a restructuring of
9 the long-term liabilities of the City may be required.
10 But EY did not specifically have an input whether
11 Chapter 9 was or was not the only alternative.

12 Q. Going back in time just a little bit, in
13 2011 and 2012, an agreement in principle, it is called
14 a tentative agreement, was reached between the City of
15 Detroit and the unions representing its active
16 employees, is that correct?

17 A. Yes, that is my understanding.

18 Q. And E&Y was involved in the negotiations
19 leading to that tentative agreement, is that right?

20 A. E&Y was involved in assisting quantify
21 some of the savings in conjunction and collaboration
22 with the City as the City negotiated with the -- its
23 unions.

24 Q. And based on your involvement, are you

