UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

IN RE: Chapter 9
Case No. 13-53846

City of Detroit, Michigan,

Debtor.
____/

INTERESTED PARTY DAVID SOLE'S OBJECTION TO DEBTOR'S MOTION FOR A FINAL ORDER APPROVING POST-PETITION FINANCING, GRANTING LIENS AND PROVIDING SUPERPRIORITY CLAIM STATUS AND MODIFYING AUTOMATIC STAY [DOCKET 1520]

Now comes Interested Party David Sole and for his Objection to Debtor's Motion for a Final Order Approving Post-Petition Financing, Granting Liens and Providing Superpriority Claims Status and Modifying Automatic Stay [Docket 1520], states as follows:

INTRODUCTION

The Emergency Manager and his attorneys are asking this Court to approve a $350 million loan from Barclays Bank, with the bulk of the loan, $237.9 million or more, earmarked to pay off two banks, Bank of America and UBS, on interest rate swaps for which these banks have already netted $250 million from 2008 – 2012 without providing one service to the community. Under terms of the Barclays loan, 20% of the City of Detroit's income tax revenues, $48 million per year for seven to nine years post-bankruptcy, will be used to pay off Bank of America and UBS, two banks notorious for their subprime mortgage practices which had especially horrific consequences in the City of Detroit, as well for their misdoings in the municipal bond market. The remainder of the loan, while couched as a "Quality of Life" loan aimed at providing services for Detroiters, in fact is a veiled attempt to place a lien on casino tax dollars to pay off the multi-million bill for contractors that Jones Day has brought into Detroit who have profited off the so-called "restructuring" being carried out by the Emergency Manager and his former employer, Jones Day.

Interested Party David Sole respectfully requests this honorable Court to reject this outrageous deal which will leave Detroiters suffering under an onerous debt to the banks for years to come, long after Emergency Manager Orr and his cohorts have returned to their palatial homes outside the City and Governor Snyder has moved on. These issues are further discussed below.

BARCLAY LOAN DETAILS

1. According to the Emergency Manager's own motion, Docket [1520] paragraph 10, the Barclays loan will be used to pay off $290 million in termination fees to Bank of America and UBS on interest rate swaps entered into with the banks beginning in 2006, at 82 cents of each dollar owed, for a total amount of $237.8 million.
2. The termination fee is calculated by determining the difference between the interest rate paid by the City of Detroit on floating rate Pension Obligation Certificates (.34 margin plus the 3 month Libor rate) and the fixed rate the City of Detroit pays Bank of America and UBS (6.323%) under the Swap agreements, and then projecting that difference over the sixteen years remaining on the Swap term. **Exhibit 1, attached**.
3. Because the three month Libor fell to almost zero beginning in 2008, from 2008 through 2012 (**See Exhibit 2**), the City of Detroit paid UBS and Bank of America $247.5 million in profit on the interest rate swaps. **Exhibit 3, Orr deposition p 314**.
4. In his deposition, Emergency Orr testified that in his June 14, 2013 financial report to creditors he reported that the negative fair value of the interest rate swaps (amount

owed to Bank of America and UBS based on a termination at that time) was $343.6 million as of May 31, 2013. **Id. p 315**.

5. In fact, the three month Libor has fallen from .273 in May of 2013 to .242 in November 2103, indicating the negative fair value of the swaps has grown since May 31, and likely would be at least $350 million. (**See Exhibit 2**)
6. 82% of $350 million is $287 million, meaning the amount of the $350 million Barclay loan earmarked to pay off Bank of America and UBS on the swaps would be approximately that amount, leaving only $63 million for so-called "Quality of Life" improvements.
7. Under the terms of the Barclay loan for which the Emergency Manager seeks approval, as soon as the bankruptcy concludes, the City of Detroit will immediately be required to redeem the $350 million Barclays' loan. If the City cannot pay Barclay's the redemption, the City of Detroit will be in default, and the interest rate on the loan will rise to a minimum of 5.5% (**Exhibit 4, attached, loan terms**), and a potential rate of 8.5% (**Exhibit 5, attached, Barclay's commitment letter**).
8. The $237.8 to $287 million of the Barclay loan earmarked for swap termination payments will be payable at $4 million per month or $48 million per year, and guaranteed by a first lien on Detroit's income tax revenues which totaled $232,412, 196 for the year 2013, as well as by the proceeds of any City of Detroit asset sales of $10 million or more. See Emergency Manager Motion, [Docket 1520]. (**See Exhibit 4**) That means that over 20% of Detroit's income tax revenues for the next six to eight years will be earmarked to settle with Barclays for paying off Bank of America and UBS.

9. An additional $4 million per month will be deducted from casino tax revenues to pay off the "Quality of Life" loan, payable out of a lien on casino tax dollars.
10. On October 24, 2013, Emergency Manager
11. Orr authorized finance director Hartzell to shift $95 million in appropriations in the General Fund, including appropriations for the police criminal investigation bureau, emergency medical services, firefighting operations, police operations and many other core city functions, to the "general restructuring account." **Exhibit 6, attached**. On information and belief, much of this $95 million taken from appropriations for city services will be used to pay consultants.
12. The "Quality of Life" financing included in the Barclays loan in reality appears to be a method to finance this restructuring cost and payment of consultants, guaranteeing these payments out of casino tax dollars in the guise of providing services to the Detroiters.
13. In addition, $4.375 is allocated pursuant to the Barclays deal as payment of "fees" to Barclays. The Emergency Manager has already paid a good part of these fees even without City Council or Court approval. **Exhibit 5, attached**.

I. APPROVAL OF THE BARCLAY'S LOAN DOES NOT REPRESENT GOOD BUSINESS JUDGMENT AND IS COMPLETELY ADVERSE TO THE INTEREST OF THE RESIDENTS OF DETROIT

A. THE AUTOMATIC STAY PREVENTS THE USE OF POST-PETITION CASINO TAX DOLLARS TO ENFORCE THE SWAP COUNTER-PARTIES "LIEN"

The Barclays loan is completely adverse to the interest of the residents of Detroit, diverting 20% of income tax dollars to repay Bank of America and UBS on questionable interest rate swaps that were at the minimum terrible deals for the City and are potentially laced with fraud or even criminal misconduct. It does not reflect sound and prudent business judgment on the part of the City of Detroit, is not reasonable under the circumstances and is not in the best interest of the City of Detroit and its creditors.

First of all, this honorable Court has held up to this point that the Interest Rate Swaps are unsecured debt, as payment of the casino tax dollars to secure the Swaps is subject to the Automatic Bankruptcy Stay. **[Docket 670] Exhibit 7, attached**. While the Court's order was without prejudice to the right of any party to seek relief from the stay under Section 362(d), on information and belief, at this point no party has sought such relief, the automatic stay relative to the payment of post-petition casino tax dollars is still in effect, and thus the Swaps are unsecured debt. In addition, Interested Party David Sole submits that the casino tax revenues used to secure the Swaps do not qualify as special revenues exempt from the stay, as the casino tax dollars by statute are for public purposes, and not earmarked for the payment of debt service. **[See Docket 361, Objection to City of Detroit's Motion for Approval of Forebearance Agreement]**

If the automatic stay is in effect with regard to the Swap counter-parties' lien on casino tax dollars, the Barclays loan is clearly not in the interest of the debtor or the other creditors. Emergency Manager Orr has stated that he is offering unsecured debtors, including retirees who worked their entire lives for the City, 16 cents for every dollar owed. A financial agreement that removes that Swaps from the bankruptcy based on paying them 82 cents for each dollar owed, on a deal laced with potential wrongdoing, is outrageous and simply cannot be justified by any means. The only possible explanation is that Emergency Manager Orr's former employer and the City's current law firm, Jones Day, lists Bank of America as one of its clients. **Exhibit 3, Orr deposition, p 325**.

B. THE SWAPS ARE SUBJECT TO EQUITABLE SUBORDINATON OR DISALLOWANCE BASED ON MISCONDUCT BY BANK OF AMERICA AND UBS IN CONNECTION WITH THE INTEREST RATE SWAPS

In addition, because of the potential that there was fraudulent conduct by Bank of America and UBS in connection with the Swaps, even if they were secured debt, they potentially could be subject to equitable subordination under Section 510(c) or disallowance under Section 502(b)(1). This argument was made more fully in Interested Party David Sole's Objection to the City of Detroit's Motion for Approval of Forbearance Agreement. **[Docket 361].**

In his deposition of August 30, 2013, Emergency Manager Orr testified that he was aware of issues that have been raised in the use of the ISDA Fix to calculate termination fees for interest rate swaps (the method used in the instant case, see Exhibit 1), as well as with the use of the LIBOR by Bank of America and UBS as the index for floating rate bonds. **Exhibit 3, Orr deposition p 321**.

Emergency Manager Orr testified that he was aware there was a final judgment levied against UBS for rigging with regard to municipal bonds. He further testified that he was aware that Bank of America has also been investigated for possible rigging with regard to the municipal bond market. **Id. pp 322, 323**.

Emergency Manager Orr testified that he consulted with his counsel, Jones Day, in light of these investigations, as to whether there may be issues surrounding potential concerns in connection with the City of Detroit Swap Agreement with Bank of America and UBS. Emergency Manager Orr testified that Jones Day represents Bank of America. **Id. pp 324, 325**.

Emergency Manager Orr testified that he was aware of prosecutions related to UBS executives who were involved in the municipal bond market. **Id. p 326**. Emergency Manager Orr testified that under PA 436 he has the authority to make criminal referrals to appropriate prosecutorial authorities, and that there may or may not be investigations related to the matters described above, namely illegal activity by UBS and Bank of America in connection with municipal bonds. **Id. pp 326-328**.

Emergency Manager Orr testified that he has not approached the Securities and Exchange Commission to conduct any investigation of the Swaps in light of their extensive investigations of UBS and Bank of America. **Id. p 331**.

Unfortunately, despite Emergency Manager's Orr admitted awareness of fraud and misconduct by UBS and Bank of America in connection with the municipal bond market, Emergency Manager Orr, rather than conducting an investigation of these banks in connection with the Swap deals that could potentially lead to the amounts owed them being drastically reduced, instead has opted to attempt to remove the Swaps from the bankruptcy. He is proposing to pay Bank of America and UBS termination fees amounting to 82 cents on the dollar, and to enter into financing that will indenture City of Residents to the tune of having 80% of income tax revenues for the first six to eight years post-bankruptcy turned over to Barclays to cover the payments to UBS and Bank of America.

Orr has also opted to never look into the circumstances that occurred in connection with the City of Detroit being locked into the Swaps. For example, Sean Werdlow, Chief Financial Officer of the City of Detroit at the time the Swaps were negotiated, received a job with one of the counterparties, SBS (which is backed by Bank of America) shortly after the deal was consummated. Representatives of Fitch and Standard of Poors were at the City Council table encouraging the City of Detroit to enter into the Swaps**. Exhibit 8, attached (Orr deposition Exhibit 10).** And Mayor Kilpatrick, who is now serving time in prison for corruption, was given an award by Wall Street for his role in getting the Swaps adopted by the City of Detroit.

It should be noted, that after being presented the Barclays Loan Deal for approval, the Detroit City Council passed a resolution rejecting the deal which it filed with the Bankruptcy Court. [Docket 1396] **Exhibit 9, attached**. The City Council also passed a resolution calling on the SEC to investigate wrongdoing by the banks in connection with both sub-prime mortgage lending in the City of Detroit (the hardest hit city in the US by sub-prime predatory mortgage lending by the banks as outlined in Docket 361) and wrongdoing by the banks in connection with issuing municipal bonds and specifically interest rate swaps to the City. **Exhibit 10, attached**.

Attached to this brief are excerpts from the recently issued study issued by Demos, a New York public policy institute (www.demos.org) prepared by Senior Fellow, Wallace C. Turbeville, a former Vice President at Goldman Sachs who worked in their Municipal Bond Department. **Exhibit 11, Turbeville CV**. Mr. Turbeville. The report notes in part that the Swap deals were particularly ill suited for a city of Detroit, and that a strong case can be made that the banks that sold these Swaps may have breached their eithical, and possibly legal, obligations to the city in executing these deals. Mr. Turbeville states: "The emergency manager's plan to pay the swap termination fees outside of the bankruptcy process should be abandoned. The bank counterparties should be made to bear the consequences of the original swap transaction, and they should be pushed to forego their projected profit (the measure of the termination payment) given the large profits they have already earned as a result of the unusually low interest rates that resulted from the financial crash." **Exhibit 12, Demos report, pp 5, 7**.

For all these reasons, the Barclays loan deal should be rejected in so far as it applies to payment of Swap termination fees.

C. EVEN IF THIS COURT WAS TO RULE THAT CASINO TAX DOLLARS
D. ARE SPECIAL REVENUES NOT SUBJECT THE AUTOMATIC STAY, PURSUANT TO 928 THE FUNDS MUST BE UTILIZED TO FUND OPERATIONS RATHER THAN PAY DEBT

11 USCS § 928, Post petition effect of security interest, states:

> (a) Notwithstanding section 552(a) of this title [11 USCS § 552(a)] and subject to subsection (b) of this section, special revenues acquired by the debtor after the commencement of the case shall remain subject to any lien resulting from any security agreement entered into by the debtor before the commencement of the case.
>
> (b) Any such lien on special revenues, other than municipal betterment assessments, derived from a project or system shall be subject to the necessary operating expenses of such project or system, as the case may be.

First of all, a reading of this section, in conjunction with Section 902 of the bankruptcy code which defines special revenues, lends credence to the argument advanced by Interested Party David Sole in his Response to the City of Detroit's Motion for Approval of Forebearance agreement [**Docket 361**], that the casino tax dollars do not qualify as special revenues since they are not earmarked for a particular project, and especially not for the payment of debt service or Swaps, but rather for general public purposes.

MCL 432.201 et seq., the Michigan Gaming Control and Revenue Act restricts the use of casino tax dollars. Section 12(1) of the Wagering Tax Revenue Statute allows the state to collect an 18% wagering tax from casinos and Section 12(3)(a) allows the state to allocate 55% thereof to the city in which the casino is located for use in connection with the following:

> (i) The hiring, training, and deployment of street patrol officers.
> (ii) Neighborhood and downtown economic development programs designed to create local jobs.
> (iii) Public safety programs such as emergency medical services, fire department programs, and street lighting.
> (iv) Anti-gang and youth development programs.
> (v) Other programs that are designed to contribute to the improvement of the quality of life in the city.
> (vi) Relief to the taxpayers of the city from 1 or more taxes or fees imposed by the city.
> (vii) The costs of capital improvements.
> (viii) Road repairs and improvements.

Before casino tax dollars can be applied to pay off a lien on interest rate swaps, pursuant to Section 928(b), they must be applied for the operation of the system or projects for which they are intended. They must be applied to: the hiring, training, and deployment of street patrol officers; neighborhood and downtown economic development programs designed to create local jobs; public safety programs such as emergency medical services, fire department programs, and street lighting, anti-gang and youth development programs, other programs that are designed to contribute to the improvement of the quality of life in the city; relief to the taxpayers of the city from 1 or more taxes or fees imposed by the city; the costs of capital improvements; and road repairs and improvements.

It is only after all uses of the casino tax dollars for these projects are exhausted, that they can be used to pay off the Swap liens. Since the basis for bankruptcy in the City of Detroit is the lack of funds to supply these necessary services, and the Emergency Manager is even proposing a special loan to fund these services, he could not argue that there are excess funds following the supplying of these services that are mandated by the Michigan Gaming Statute.

Therefore, the Swaps must be treated as unsecured loans, subject to a much lower payment than the 85 cents on the dollar which the Emergency Manager aims to fund with a 20 lien of income tax revenues over the first 6-8 years post-bankruptcy. This is another basis for rejecting the Barclay's loan deal.

III. THE "QUALITY OF LIFE" COMPONENT OF THE BARCLAYS' LOAN IS A VEILED ATTEMPT TO ILLEGALLY UTILIZE CASINO TAX DOLLARS TO PAY RESTRUCTURING COSTS AND ESPECIALLY CONSULTANTS

On October 24, 2013, Emergency Orr authorized finance director Hartzell to shift $95 million in appropriations in the General Fund, including appropriations for the police criminal investigation bureau, emergency medical services, firefighting operations, police operations and many other core city functions, to the "general restructuring account." **Exhibit 6, attached**. On information and belief, much of this $95 million taken from appropriations for city services will be used to pay consultants.

The "Quality of Life" financing included in the Barclays loan in reality appears to be a method to finance this restructuring cost and payment of consultants, guaranteeing these payments out of casino tax dollars in the guise of providing services to the Detroiters. Basically, casino tax revenues are not to be used to provide new services to Detroiters, but rather, to replenish funds that were grabbed to pay consultants.

As outlined above, nothing in the Casino Tax Act provides for the use of the funds for the payment of "restructuring costs" earmarked for the payment of consultant fees in bankruptcy.

WHEREFORE: Interested Party David Sole respectfully requests that the City of Detroit's Motion for a Final Order Approving Post-Petition Financing, Granting Liens and Providing Superpriority Claims Status and Modifying Automatic Stay [Docket 1520]be denied.

Respectfully submitted,

JEROME D. GOLDBERG, PLLC

By: *___/s/ Jerome D. Goldberg_____*
Jerome D. Goldberg (P61678)
Attorney for David Sole, Party in Interest
2921 East Jefferson, Suite 205
Phone: 313-393-6001
Fax: 313-393-6007
Email: apclawyer@sbcglobal.net

DATED: November 27, 2013

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EXHIBIT 1

UBS

Date:	26 June 2009
To:	Detroit Police and Fire Retirement System Service Corporation ("Counterparty")
Attn:	Norman L White, President
Fax No:	313-224-4466
From:	UBS AG, Stamford Branch ("UBS AG")
Subject:	Swap Transaction UBS AG Ref: 37380351 Counterparty Ref: PFRS - Syncora

Dear Mr. White

The purpose of this communication is to confirm the terms and conditions of the Transaction entered into between us on the Trade Date specified below. This Revised Confirmation constitutes a "Confirmation" as referred to in the Master Agreement or Agreement specified below. This Revised Confirmation shall replace and supersede all previous Confirmations relating to the Transaction documented herein

UBS AG and the Counterparty have entered into a Master Agreement, dated as of 25 May 2005, which sets forth the general terms and conditions, as well as amendments, applicable to this Transaction (together with any future Schedule and any other future Confirmation, the "Agreement"). This Revised Confirmation supplements, forms part of and is subject to the Agreement. All provisions contained in, or incorporated by reference to, such Agreement shall govern this Revised Confirmation except as expressly modified below. In the event of any inconsistency between the provisions of the Agreement and this Revised Confirmation, this Revised Confirmation will prevail for purposes of this Transaction.

The definitions contained in the 2000 ISDA Definitions (the "2000 Definitions"), (the "Definitions"), as published by the International Swaps and Derivatives Association, Inc., are incorporated into this Revised Confirmation. In the event of any inconsistency between of the definitions listed above and this Revised Confirmation, this Revised Confirmation will govern.

The terms of the particular Swap Transaction to which this Revised Confirmation relates are as follows:

General Terms

Insurer:	Syncora Guarantee Inc. (formerly known as XL Capital Assurance Inc.)
Trade Date:	07 June 2006
Effective Date:	12 June 2006
Termination Date:	15 June 2029
Notional Amount:	Initially USD 104,325,500 thereafter amortizing per the Amortization Schedule below
Calculation Agent:	UBS AG
Business Days:	New York and London

Fixed Amounts

Fixed Rate Payer: Counterparty

Fixed Rate: In accordance with the following schedule.

From (and including)	To (but excluding)	Fixed Rate
Effective Date	15 June 2007	4.991
15 June 2007	15 June 2008	5.666
15 June 2008	1 July 2010	6.223
1 July 2010	Termination Date	6.323

Fixed Rate Day Count Fraction. 30/360

Fixed Rate Payer Payment Dates. Quarterly, on each 14 March, 14 June, 14 September and 14 December, from and including 14 September 2006 up to and including the 14 June 2029, subject to adjustment in accordance with the Preceding Business Day Convention.

Period End Dates: Each 15 March, 15 June, 15 September and 15 December, from and including 15 September 2006 up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention, with No Adjustment.

Floating Amounts

Floating Rate Payer: UBS AG

Floating Rate Option: USD-LIBOR-BBA

Designated Maturity: Three months, except that in respect to the initial Calculation Period, Linear Interpolation shall apply.

Spread: Plus 30 Basis Points

Floating Rate Day Count Fraction: Actual/360

Floating Rate Payer Payment Dates: Each 14 March, 14 June, 14 September and 14 December, from and including 14 September 2006 up to and including the 14 June 2029, subject to adjustment in accordance with the Preceding Business Day Convention.

Period End Dates: Each 15 March, 15 June, 15 September and 15 December, from and including 15 September 2006 up to and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention.

Reset Dates. Initially, the Effective Date and thereafter on each 15 March, 15 June, 15 September and 15 December, from and including 15 September 2006 up to but excluding the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention

Compounding Inapplicable

Amortization Schedule

Period From (and including)	Period To (but excluding)	Notional Amount (USD)
Effective Date	15-Jun-2019	104,325,500
15-Jun-2019	15-Jun-2020	97,011,000
15-Jun-2020	15-Jun-2021	90,109,000
15-Jun-2021	15-Jun-2022	83,685,500
15-Jun-2022	15-Jun-2023	77,801,500
15-Jun-2023	15-Jun-2024	72,532,500
15-Jun-2024	15-Jun-2025	67,957,500
15-Jun-2025	15-Jun-2026	64,161,500
15-Jun-2026	15-Jun-2027	44,825,500
15-Jun-2027	15-Jun-2028	24,286,500
15-Jun-2028	Termination Date	2,469,500

Optional Termination by Counterparty

With the prior consent of the Insurer, Counterparty shall have the right to terminate this Transaction (provided that no Event of Default or Termination Event has occurred) by providing (i) at least five (5) Business Days' prior written notice to UBS AG of its election to terminate this Transaction and (ii) evidence reasonably satisfactory to UBS AG that any and all amounts owed to UBS AG in connection with such early termination shall be paid on the due date thereof On the Optional Termination Date set forth in such notice, an amount, determined by UBS AG, shall be payable by UBS AG or the Counterparty, as the case may be, in respect of such termination If such amount is not acceptable to Counterparty, then UBS AG shall determine such amount in accordance with Section 6 of the Agreement, assuming Market Quotation and Second Method apply and Counterparty is the sole Affected Party

Adjustment Event

If on the Effective Date or any date thereafter (an "Adjustment Event Date") the Notional Amount of this Transaction is greater than the Related Principal Amount, an Adjustment Event shall occur and the Notional Amount shall be reduced to the extent necessary to make such Notional Amount as of the Adjustment Event Date equal to the Related Principal Amount As used herein

(a) the term "Related Principal Amount" means UBS AG's Swap Percentage of Counterparty's Allocable Share of the aggregate principal amount of the outstanding Syncora-Insured Floating Rate Certificates,

(b) the term "UBS AG's Swap Percentage" means at any time **50 percent**,

(c) the term "Counterparty's Allocable Share" means (1) the total Scheduled Payments (as such term is defined in the PFRS Service Contract 2006 between the Detroit Police and Fire Retirement System Service Corporation and the City of Detroit) to be made by Counterparty in respect of Syncora-Insured Floating Rate Certificates divided by (2) the total Scheduled Payments to be made by Counterparty and Detroit General Retirement System Service Corporation in respect of Syncora-Insured Floating Rate Certificates, in each case after giving effect to any prepayments of Scheduled Payments in connection with the circumstances of the Adjustment Event, and

(d) the term "Syncora-Insured Floating Rate Certificates" means any Detroit Retirement System Funding Trust 2006 Taxable Certificates of Participation Series 2006-B (the "Related Certificates") that bear interest at a floating rate and the scheduled principal of and interest on which are insured under a financial guaranty insurance policy issued by Syncora Guarantee Inc (formerly known as XL Capital Assurance Inc.)

(e) Upon an adjustment to the Notional Amount, a payment (an "Adjustment Payment") will be due and owing by one party to the other equal to the Market Quotation for this Transaction determined by UBS AG as if (i) a Termination Event occurred in respect of Counterparty, (ii) Counterparty was the only Affected Party with respect to such Termination Event, UBS AG was the party entitled to calculate the Market Quotation, and the Transaction is the Affected Transaction, (iii) the relevant Adjustment Event Date was designated as the Early Termination Date, (iv) the Notional Amount of the Transaction was an amount equal to the difference between (X) the Notional Amount and (Y) the outstanding principal amount of the Related Certificates on the Adjustment Event Date, and (v) the requirement set forth in the definition of Market Quotation that quotations be obtained from four Reference Market-makers was met by having UBS AG provide a single quotation, provided, however, if Counterparty disputes such quotation, UBS AG shall seek bids from Reference Market-makers consistent with the provisions of Section 6 of the Agreement. If an Adjustment Payment is a positive number, Counterparty will pay an amount equal to such Adjustment Payment to UBS AG; if an Adjustment Payment is a negative number UBS AG will pay an amount equal to the absolute value of such Adjustment Payment' to Counterparty An Adjustment Payment shall be paid by the relevant party on the date on which the Adjustment Event occurs.

(f) Notwithstanding anything to the contrary in this Agreement, Counterparty will not optionally cause an Adjustment Event if, in connection with such Adjustment Event, an Adjustment Payment would be payable by Counterparty to UBS AG unless Counterparty provides evidence reasonably satisfactory to UBS AG and the Swap Insurer that (i) such Adjustment Payment will be made by Counterparty on the Adjustment Event Date and (ii) such Adjustment Payment will not cause Counterparty to be in violation of, or in default under the documentation relating to the Related Certificates

<u>Swap Advisor Fee</u>

Swap Advisor:	Scott Balice Strategies LLC
Swap Advisor Fee:	On behalf of the Counterparty, a fee of USD 78,389.35 is being paid by UBS AG in respect of this Transaction to the Swap Advisor. Such fee is equal to the present value of 0.65 basis points per annum on the Notional Amount of this Transaction taking into account the amortization schedule set forth herein, to the Termination Date, discounted to the Trade Date using the LIBOR swap curve This fee is reflected in, and has increased, the Fixed Rate payable by the Counterparty hereunder
Swap Advisor Fee Payment Date	Upon closing of the Related Certificates

Relationship between Parties

Each party will be deemed to represent to the other party on the date on which it enters into this Transaction that (in the absence of a written Agreement between the parties which expressly imposes affirmative obligations to the contrary for this Transaction).

(a) Non-Reliance. Each party is acting for its own account, and has made its own independent decisions to enter into this Transaction and this Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. Each party is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into this Transaction; it being understood that information and explanation relating to the terms and conditions of this Transaction shall not be considered investment advice or a recommendation to enter into this Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of this Transaction.

(b) Assessment and Understanding. Each party is capable of assessing the merits of and understands (on its own behalf or through independent professional advice), and accepts, the terms; conditions and risks of this Transaction. Each party is also capable of assuming and assumes, the risks of this Transaction.

(c) Status of the Parties. Neither party is acting as a fiduciary for or as an adviser to the other in respect of this Transaction.

References in this clause to "a party" shall, in the case of UBS AG and where the context so allows, include references to any affiliate of UBS AG.

Risk Considerations

The Counterparty acknowledges receipt from UBS, at or prior to the time of Counterparty's final approval of the Transaction evidenced by this Revised Confirmation, of a document entitled "Risk Considerations".

Custodian

At least two (2) Local Business Days prior to each Payment Date for the Transaction to which this Confirmation relates, Party A, as Calculation Agent, shall notify the Collateral Agreement Custodian of the net amount payable and the Party owing such payment as of the immediately following Payment Date.

Account Details

UBS Account Details

Account for payments in USD:	
Bank:	UBS AG, Stamford
ABA/Bank No.:	026-007-993
Account No.:	101-WA-860050-025

Counterparty Account Details

Bank:	U.S. Bank, Minneapolis
FBO:	For further credit to U.S. Bank, N.A.
ABA/Bank No :	091000022
Account No :	180121167365
Ref:	Detroit COPS PFRS

Trust #:	789710000
Contact:	Jill Ling 651-495-3712

Offices

The office of UBS AG for the Swap Transaction is Stamford, CT; and the office of the Counterparty for the Swap Transaction is Detroit, MI.

Contact Names at UBS AG

Settlements:	Hotline:	(203) 719 1110
Confirmation Queries:	Jennifer McCandless	(212) 713 1212
ISDA Documentation:	Legal Department – Documentation:	(203) 719 6249
Swift:	UBSWUS33	
Fax:	(203) 719-5771	
Address:	UBS AG 677 Washington Boulevard Stamford, CT 06901	

[Intentionally left blank. Signature page follows.]

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by executing a copy of this Revised Confirmation and returning it to us by facsimile to **(212) 373-6491**.

Yours Faithfully
For and on Behalf of
UBS AG, Stamford Branch

By	Marie-Anne Clarke	By	
			James B. Fuqua
Name :	Marie-Anne Clarke	Name:	Managing Director and Counsel
Title:	Executive Director and Counsel Region Americas Legal Fixed Income Section	Title :	Region Americas Legal

Acknowledged and agreed by the Detroit Police and Fire Retirement System Service Corporation as of the Trade Date specified above:

By:

Name Norman L. White
Title : President

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by executing a copy of this Revised Confirmation and returning it to us by facsimile to **(212) 373-6491**.

Yours Faithfully
For and on Behalf of
UBS AG, Stamford Branch

By

By

Name :
Title:

Name:
Title :

Acknowledged and agreed by the Detroit Police and Fire Retirement System Service Corporation as of the Trade Date specified above:

By:

Name Norman L. White
Title : President

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3 Month LIBOR

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Current Rate: 0.24200%

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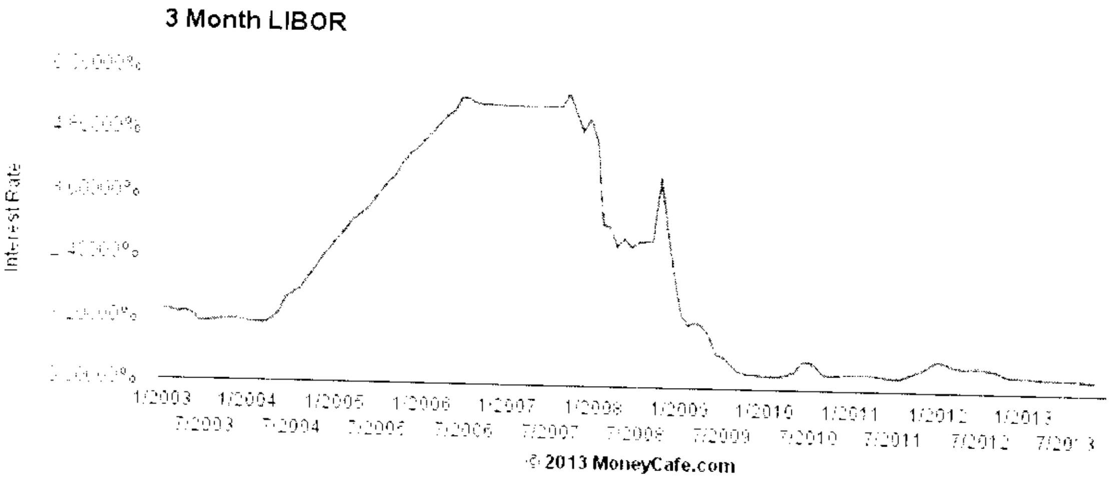
LIBOR stands for "London Inter-Bank Offered Rate." It is based on rates that contributor banks in London offer each other for inter-bank deposits. From a bank's perspective, deposits are simply funds that are loaned to them. So in effect, a LIBOR is a rate at which a fellow London bank can borrow money from other banks. Rate calculations are complex as they incorporate variables such as time, maturity and currency rates. There are hundreds of LIBOR rates reported each month in numerous currencies. We report the Three Month LIBOR on

EXHIBIT 2

or after the first of the month. This is the LIBOR for a three month deposit in U.S. Dollars on the last business day of the previous month.

Note: Rates published prior to July 2007 reflect the Fannie Mae LIBOR rate which used a different calculation. Fannie Mae discontinued its use and publication of LIBOR rates at the end of June 2007 and suggested a replacement rate using our current methodology, which is similar to the Wall Street Journal LIBOR (WSJ LIBOR).



3 Month LIBOR

Month	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Jan	1.34800%	1.13200%	2.74390%	4.67950%	5.36010%	4.70250%	1.42500%	0.25063%	0.30281%	0.58100%	0.30600%
Feb	1.33600%	1.12010%	2.91010%	4.81920%	5.35980%	3.11188%	1.18438%	0.24906%	0.30438%	0.54235%	0.29800%
Mar	1.28800%	1.11070%	3.09950%	4.98980%	5.34730%	3.05750%	1.26438%	0.25169%	0.30950%	0.48425%	0.28710%
Apr	1.30800%	1.17640%	3.21070%	5.14730%	5.35550%	2.68813%	1.13188%	0.29150%	0.30300%	0.46815%	0.28250%
May	1.27820%	1.30620%	3.32920%	5.23350%	5.35950%	2.65000%	1.01625%	0.34656%	0.27300%	0.46585%	0.27310%
Jun	1.11640%	1.60390%	3.50450%	5.50850%	5.35930%	2.68063%	0.65625%	0.53625%	0.25288%	0.46665%	0.27525%
Jul	1.11760%	1.69450%	3.69480%	5.48890%	5.36000%	2.78313%	0.59500%	0.53394%	0.24575%	0.46060%	0.27310%
Aug	1.14200%	1.79010%	3.87200%	5.40140%	5.35866%	2.79125%	0.47938%	0.45375%	0.25550%	0.44260%	0.26560%
Sep	1.15980%	2.00540%	4.00550%	5.37250%	5.62125%	2.81063%	0.34750%	0.29563%	0.32722%	0.41825%	0.25950%
Oct	1.16570%	2.15820%	4.25230%	5.37290%	5.22875%	4.05250%	0.28688%	0.29000%	0.37433%	0.35850%	0.24885%
Nov	1.17010%	2.40260%	4.41390%	5.36850%	4.89375%	3.02625%	0.28063%	0.28594%	0.42944%	0.31275%	0.24200%
Dec	1.15700%	2.55820%	4.52980%	5.36010%	5.13125%	2.21688%	0.25656%	0.30031%	0.52889%	0.31053%	

Source: Fannie Mae, British Bankers' Association

Reasonable efforts are made to maintain accurate information. However, information could contain errors or inaccuracies and is presented without warranty. No liability is assumed for errors or omissions.

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EXHIBIT 3

entered into, correct?
MR. JURGENS: Objection to form.
MR. SHUMAKER: Objection, form.
A. **Here again, as I've said a couple of times today, I'm going to stay away from legal conclusions as to whether or not a lien would or would not have existed. There are equitable liens that arise ex contractu outside of law. There are other issues, but suffice it to say this agreement seemed to impose a lien as a matter of the agreement on the casino revenue.**
BY MS. GREEN:
Q. Okay. You're not claiming any equitable lien?
MR. JURGENS: Objection.
A. **We're not claiming a lien. We've done an analysis, and there have been several memos that have gone back and forth from counsel analyzing a number of different issues at law and at equity. We -- there's -- me, personally, under our agreement, there's no -- been no assertion of an equitable lien.**
MS. GREEN: I have nothing further then.
THE WITNESS: Sure.
Do you need -- you need this, don't you?
Is this -- did you -- excuse me. Did you mark this?
MS. GREEN: We can mark it as an exhibit.
I don't know that anyone has marked it yet. We can

mark it as Exhibit 7.
MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 7
3:20 p.m.
(Discussion off the record at 3:20 p.m.)
(Back on the record at 3:20 p.m.)
MS. GREEN: I thought maybe it was earlier and I just didn't know.
THE WITNESS: No, I don't think it was.
MS. GREEN: It's hard to hear down there.
THE WITNESS: We talked about the collateral agreement.
MS. GREEN: We did. Okay.
VIDEO TECHNICIAN: Do we need to go off the record for the second or are we staying on? Are you asking questions?
MS. GREEN: Oh, were we on?
THE WITNESS: We can shut up.
MR. SHUMAKER: Why don't we go off for one minute to get ourselves together.
VIDEO TECHNICIAN: All right. Thank you.
The time is 3:20 p.m. We are off the record.
(Recess taken at 3:20 p.m.)
(Whereupon Lally Gartel and Stephen Hackney

left the deposition at 3:21 p.m.)
(Back on the record at 3:22 p.m.)
VIDEO TECHNICIAN: We are back on the record at 3:22 p.m.
EXAMINATION
BY MR. GOLDBERG:
Q. How are you doing, Mr. Orr?
A. **Hello, Mr. Goldberg. How are you?**
Q. We met before. I'm Jerome Goldberg. I represent David Sole, who's an interested party, he's a retiree, along with his wife, who's also a retiree.
MR. GOLDBERG: First of all, I want to just go on the record and thank Kirkland & Ellis and the other attorneys for their patience and their working with other attorneys in this case, and especially someone like me who represents a very different point of view and that they were objective and fair their -- in accommodating all the objectives here.
BY MR. GOLDBERG:
Q. Let me begin by asking just a few questions just so we can put some of this into perspective. I want to call your attention to Exhibit 3.
A. **Yes. Okay.**
Q. On page 34 of Exhibit 3, there's a chart here that references expenditures from the years 2008 to 2012?

A. **Yes.**
Q. And it indicates -- first of all, I just had a question. Under the POCs, t has POC Swap GF, I assume that means general fund?
MR. SHUMAKER: Counsel, I think you may be pointing to a different page than the witness has in front of him.
BY MR. GOLDBERG:
Q. It's page 34 in mine. Which one did I give you? I'm talking about the June 14th, 2013.
MR. SHUMAKER: Yeah, there's an executive summary and then there's a bigger one. Are you looking at the bigger one?
MR. GOLDBERG: I have copies of what I'm looking at.
A. **These are the executive summaries.**
MR. GOLDBERG: Why don't I mark these and that will make it easier.
THE WITNESS: And the larger one is this one.
MR. SHUMAKER: The larger one is Orr Number 6. Take a look at that.
MR. GOLDBERG: Sure. Yeah, this is the one I'm looking at.
THE WITNESS: That's the one, the larger

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one.

BY MR. GOLDBERG:

Q. Okay. So Exhibit Number 6.

A. Okay. Mr. Goldberg, which page were you at?

Q. Page 34.

A. Of the original document?

Q. Yes.

A. Okay.

Q. Here we go, that chart, 34. And it's a chart that says study that -- lists for fiscal years ended actual expenditures for 2008 to 2012; is that correct?

A. Yes.

Q. I just want to be clear. It has under POC Swaps GF. That means general fund?

A. Yes.

Q. EF, is that enterprise fund?

A. Enterprise fund excluding department of transportation.

Q. And I'm trying to understand, does that mean that part of the POC Swaps are paid -- a small part is paid from the enterprise fund?

A. Yes. You'll see the corresponding numbers show for those categories.

Q. Okay. And I totaled up the years from 2008, 2012. It appears that $247.5 million was paid on for the POC

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Swaps during those years.

A. I don't have that total in front of me, but I'm going to take it that that's the accurate number.

Q. It appears that it's usually about between 45 to 50 million a year.

A. Right, if you average 5, 10, 15, 20.

Q. Just so we're clear, I mean, that 247 million, none of that went to turn on any lights in the City of Detroit, did it?

MR. SHUMAKER: Object to the form.

A. It was legacy expenditures, debt service.

BY MR. GOLDBERG:

Q. It basically went to UBS and to Bank of America. It was their reward for betting correctly on a hedge bet, right?

MR. JURGENS: Objection to form.

MR. SHUMAKER: Objection to form.

A. Yeah, I'm going to stay away from characterizing it as a reward. There were payments made pursuant to existing certificates of participation at that time.

BY MR. GOLDBERG:

Q. And it was based on, as we talked about before, that the difference between the interest rate on the floating rate Swaps -- on the floating rate COPs and the fixed rate that the -- that the City was obligated

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to pay the Swap counterparties, correct?

A. Yes --

MR. SHUMAKER: Objection to form.

A. -- as we discussed earlier today.

BY MR. GOLDBERG:

Q. Just so I'm clear, the -- what we're talking about with the optional termination event. The exhibit -- the same exhibit you're referencing -- let's just get this -- I want to call your attention to page 28.

A. Of the same exhibit?

Q. Same exhibit.

A. Okay.

Q. Am I correct in the -- that that reflects that as of May 31, 2013, according to your proposal for creditors, the negative fair value of the Swaps was $343.6 million?

A. That's what it says. Recent valuations established the negative fair value --

COURT REPORTER: I'm sorry. You're reading way too fast.

THE WITNESS: I'm sorry.

A. Recent valuations established. The negative fair value of the Swaps at approximately 343.6 million as of May 31st.

BY MR. GOLDBERG:

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Q. So in the optional termination policy that's part of the forbearance agreement, f the City was to pay the initial payment, the City would still owe 264 -- we'd be paying 264 million approximately on the Swaps?

MR. SHUMAKER: Objection to form.

BY MR. GOLDBERG:

Q. We'd be paying 75 percent of whatever the termination amount is at that point?

A. Well, it's 75 percent of termination amount at that point, which I believe has since declined from May 31st.

Q. Why do you say it's declined?

A. Because interest rates have shifted, and so at any given time we'd have to value the interest rate formula at the time you choose to exercise the optional termination provision of the forbearance agreement.

Q. The interest rate that we're talking about on the Swap is linked to the LIBOR; isn't that correct?

A. Yes.

Q. The three-month LIBOR?

A. Yes. I believe so.

Q. I pulled the three-month LIBOR historical index. It indicated that as of -- might as well as mark this as an exhibit.

MR. GOLDBERG: Can you mark this as an exhibit?
MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 8
3:29 p.m.
BY MR. GOLDBERG:
Q. It appears that as of August of 2013, the three-month LIBOR rate was .2655 percent?
MR. SHUMAKER: Objection, foundation.
A. Is there -- if you're talking about --
BY MR. GOLDBERG:
Q. Under 2013.
A. 2013, a specific category in August which reads 0.26550.
Q. Right. So it's actually gone down since July of 2013 according to this chart.
A. Yes. Did I say up before?
Q. You had indicated that the interest rates -- right, that the -- I mean, if it goes down, the City owes more; isn't that correct?
A. Right.
Q. Just so we're clear again, that 200 -- whatever -- whether the figure is 247 million or 200 million, the optional termination payment is not going to be -- the City gets no direct benefit from that payment?

MR. JURGENS: Objection.
MR. SHUMAKER: Objection to form.
A. Well --
BY MR. HACKNEY:
Q. Let me be -- strike that question.
No lights get turned on from that money.
That's money that comes out of the City budget.
MR. SHUMAKER: Same objection.
A. Well, it's money -- yeah, I would say that it's money that the City is obligated to pay in some fashion, but to the extent we get a discount, the City benefits.
BY MR. GOLDBERG:
Q. I heard before the testimony, and I think it's pretty obvious, that the City does not have the money on hand to pay that termination amount, correct?
MR. JURGENS: Objection to form.
A. Yes, I'm told that is correct.
BY MR. GOLDBERG:
Q. And to do so it's going to have to float another bond or some kind of loan?
A. Well, it would have to in some fashion derive some funding from the capital markets, yes.
Q. Okay. I read something, and I heard the same figures floated here. I read an article in the Detroit News and I heard the same -- I wasn't able to come

yesterday due to an illness of my wife, but --
A. Oh, I'm sorry.
Q. -- they were talking about a $350 million bond of some kind that is being looked into being floated, correct?
A. Here again, I want to be careful. It's unclear whether or not it is a bond.
Q. Okay.
A. What is clear is there's some post petition financing proposal which are quite sensitive, but that number is not an unreasonable number and it has been mentioned about in the press.
Q. And is it reasonable to say that that 2 -- 350 million is not going to come free to the City?
A. No. The City will have to finance it in some fashion.
Q. I mean, I did a little research myself and looked up a bond in Ann Arbor that was recently financed for 340 million at 4 percent which is, I would think we both agree, was a good interest rate --
A. Um-hm.
Q. -- and the -- Ann Arbor would be paying 230 million in interest on that bond over a 25-year period.
A. Here again, Mr. Goldberg, I want to be very careful. Without representing or agreeing that the post petition financing that's being discussed will take the characteristic of a bond.

Q. No problem. But either way, we are in agreement that that financing -- we don't have -- the City does not have a source for -- it doesn't have a relationship with the Fed that the banks have where it gets a zero qualitative easing and zero percent loans, does it?
A. The City does not -- is not a qualified financial institution to go to the Fed discount window nor does it have an extra several hundred million dollars in its funds.
Q. Let me ask another question. I want to call your attention to the forbearance agreement.
A. Yes.
Q. Which exhibit is that?
A. That's Exhibit 2.
Q. Let me call your attention to page 14.
A. Yes.
Q. And it indicates under mid-market amount --
A. Yes.
Q. -- am I reading it correctly to say that the -- when the optional termination goes into effect, assuming it goes into effect, that the calculation on what's owed on the Swap that's the basis for the termination is based on the ISDA fix 3?
MR. SHUMAKER: Objection to form. The document speaks for itself.

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BY MR. GOLDBERG:
Q. Okay.
A. **Yeah, here again, the document speaks to itself and it says methodology that is agreed to by the City and based upon the present value as it speaks to the rest of the document, yes.**
Q. Have you looked into the fact that there's a lot of literature out now that's exposing a pretty large scandal with reg -- regard to the ISDA fix that involves and implicates both Bank of America and UBS?
MR. JURGENS: Object to form.
A. **Without characterizing the nature of the literature, I think it's safe to say that I am aware of some issues that have been discussed regarding ISDA, fixed.**
BY MR. GOLDBERG:
Q. Are you aware also of issues that have come out with regard to the LIBOR, specifically with regard to UBS and Bank of America in the setting of using the LIBOR as a standard?
MR. JURGENS: Objection to form.
A. **I am aware that in the past years there have been some questions raised regarding the LIBOR for certain financial institutions, yes.**
BY MR. GOLDBERG:
Q. Has that affected your analysis of how to deal with

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the Swap counterparties in terms of the -- the forbearance agreement?
A. **No.**
Q. The fact that it's potential fraud was involved in the setting of these --
MR. JURGENS: Objection to form.
MR. SHUMAKER: Objection to form.
A. **Mr. Goldberg, I'm going to defer from accepting the characterization of potential fraud. It is -- it is as reported.**
BY MR. GOLDBERG:
Q. Okay. That's fine.
Are you also aware that the -- that UBS was -- let me find that.
Are you aware that UBS has been sued by the Securities and Exchange Commission for rigging in regard to municipal bonds?
A. **In past years?**
Q. That there was a final judgment -- yes, in past years.
A. **Yes.**
Q. Are you aware of the final judgment that was -- there was a final judgment on a case that was filed on -- it's 112539 -- that -- and that one of the bonds that actually was involved in that case was the Detroit water and sewage bond case?

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A. **I had heard that. I have not read the final judgment.**
Q. Well, I'd be glad to pass you down a copy.
MR. GOLDBERG: Why don't we mark this.
MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 9
3:36 p.m.
BY MR. GOLDBERG:
Q. Are you also aware that Bank of America has been investigated for potential rigging with regard to the municipal bond market?
MR. JURGENS: Objection to form.
A. **I am aware that Bank of America has been investigated. The exact specifics of the investigation I am not aware of.**
BY MR. GOLDBERG:
Q. In light of these investigations that deal with rigging of the municipal bond market, was that taken into consideration by the City in how to approach the question of this forbearance agreement and potential action on these Swaps?
A. **Perhaps you could be more specific in what way you're asking whether that was taken into consideration.**
Q. I mean, if there, in fact, was fraud -- based on the fact there's at least an indication of fraudulent activity by both Bank of America and UBS within the

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municipal bond market, has there been any investigation as to whether or not that was the case with -- with regard to the Swaps associated with the POCs?
MR. JURGENS: Objection to form.
MR. SHUMAKER: Objection to form, foundation.
A. **Yeah, first, it's not clear that there was fraud with respect to POCs. I think your prior question concerning Bank of America concerned bonds at DWSD that as my understanding are not implicated by this process, meaning the forbearance agreement, but have we calculated and analyzed the possibility that there may be issues surrounding potential concerns in connection with the Swap agreement, the answer is yes.**
BY MR. GOLDBERG:
Q. And who was -- who were those discussions with in terms of whether or not to pursue that?
A. **I would have had discussions with my counsel.**
Q. When you say your counsel, who do you mean?
A. **My attorneys.**
Q. Jones Day, is that --
A. **Well, Jones Day. We also have local counsel that's involved that's sitting here, Pepper Hamilton, and others.**

Q. I mean, isn't Jones Day -- doesn't Jones Day represent this Bank of America as one of its clients on its Web site?
A. Yes, Jones Day does represent Bank of America.
Q. How could Jones Day investigate one of its own clients for potential fraud?
MR. SHUMAKER: Objection, form.
MR. JURGENS: Objection, form.
A. I am today, Mr. Goldberg, a client of Jones Day. The specific practices of Jones Day regarding its investigations, I would suggest that you refer to them.
BY MR. GOLDBERG:
Q. Okay. I'm just saying you utilize them --
A. Yes, I do.
Q. -- for their -- for their advice on whether or not to conduct such an investigation. I'm trying to ask you as your -- in your independent position as emergency manager, wouldn't you think that a law firm that represents the precise person you're asking to investigate for fraud could not give you an objective appraisal?
A. No.
MR. JURGENS: Objection to form.
MR. SHUMAKER: Objection to form.

A. No. In my experience, having worked now at three different law firms, I have seen situations where law firms are fully capable of investigating clients, yes.
BY MR. GOLDBERG:
Q. Are you aware that three executives of UBS were in -- recently jailed that -- who were involved in municipal bond division were recently jailed?
A. I'm aware that there were prosecutions related to UBS. I wasn't aware of the exact number or who they are.
Q. Okay. I do have -- now, I'm not privy to much on that either, but I do have articles that do cite that.
A. Okay.
Q. And they cited three people who were just convicted in July of this year.
A. Okay.
Q. Are you aware that Bank of -- an executive of Bank of America in its municipal bond division was indicted in 2012?
A. I don't recall if I was aware of that.
Q. Okay. Let me just ask under -- pursuant to the Public Act 436 section 13 -- section 16, aren't you mandated to conduct a criminal investigation, or at least to refer potential suspicion of criminal investigation to the Attorney General in connection with -- if there's any kind of criminal activity associated with the

financial crisis in Detroit?
A. Yes. To be clear, under 436 I have no independent prosecutorial authority, but I do have the authority to make criminal referrals to appropriate prosecutorial authorities.
Q. In light of the cost to the City of the Swaps and the continuing costs, which we al acknowledge will be substantial even in light of the forbearance agreement, have you made any referral to at least do a -- conduct an investigation based on the evidence that, that -- I'm not accusing them of criminal activity in these activities. I have no basis for doing that, but on the other hand that fact that their -- some of their top executives in this area have been convicted would at least lead me to want to take a look at that in light of Detroit's situation.
MR. JURGENS: Objection to form.
MR. SHUMAKER: Objection, form.
A. Yeah, it is a run-on question, Mr. Goldberg, but let me say this. We are -- we have an -- analyzed to the degree and looked at everything significantly related to this transaction. Any --
BY MR. GOLDBERG:
Q. Have or have not? I'm sorry.
A. We have. We have.

Q. Okay.
A. If there appears to be a basis for making a criminal referral of any kind related to anything that falls under my purview of 436, I will do that.
Q. But at this point nothing -- there hasn't even been a request for such an investigation?
A. I would be careful about -- I -- I have asked -- there are matters that are under investigation that may or may not implicate the subject matters you're talking about. I'm going to defer to speak about them further.
Q. Okay. Are you familiar with the circumstances that led to the 2005 Swap?
A. I'm familiar with what I've read. I wasn't here in the City at the time.
Q. Do you know why Moody's -- not Moody's -- Fitch and Standard & Poor's would have been at the table along with UBS when this -- when this was discussed?
A. First, I don't know that they were at the table and, secondly, if they were, I do not know why they would have been.
Q. Well, I do have a photograph of them at the table which I'd be glad to share with you --
A. Okay.
Q. -- from the Michigan Citizen. It was taken at that

time. Let me see if I can find that.
MR. GOLDBERG: Here. I can mark this.
MARKED FOR IDENTIFICATION:
DEPOSITION EXHIBIT 10
3:43 p.m.
BY MR. GOLDBERG:
Q. This is a photograph taken by the -- it was in the Michigan Citizen July 31st, 2005, it reflects a picture of Sha -- Sean Werdlow, Stephen Murphy of Standard & Poor -- Poor's, Joe Keefe -- Joe O'Keefe of Fitch, the Deputy Mayor, Anthony Adams, and the -- and the -- and -- and the representative of SBS at the table.
MR. SHUMAKER: Is there a question?
BY MR. GOLDBERG:
Q. Sure. I was asking why would Moody -- why would Standard & Poor and Fitch be at the table?
MR. SHUMAKER: Objection, foundation, form, document speaks for itself.
A. Yeah, Mr. Goldberg, this purports to be a document showing some of these members at counsel table. I have no idea -- I wasn't here, and I have no idea what the discussions were and whether or not it's accurately represented to be something related to this. This document speaks for itself.

BY MR. GOLDBERG:
Q. So you haven't done really any substantive investigation on what the circumstances were that -- that why -- that put the City into the pension obligations with certificates and Swap --
MR. SHUMAKER: Objection to form.
BY MR. GOLDBERG:
Q. -- when they first were initiated in 2005?
A. Yeah, all I can say is this -- this picture appears to be what it purports to be and speaks for itself. I don't know if it's accurate or not.
Q. Let me just ask one quick -- that I was kind of curious about, personally. It appears that there was -- the first COP and Swap was in 2005. Then they were terminated and a new one -- new COPs and Swaps were placed in 2006. Is that your understanding?
A. I don't know if that's my understanding. I know there were -- there were two series that went on. I'm going to be careful with the question of replacing them, but let's go with your question.
Q. Okay. I guess my curiosity is why the banks would pay a termination fee of 2.7 million, according to those documents, to the City to then have them renegotiate -- replaced?
A. Mr. Goldberg --

MR. SHUMAKER: Object to form, foundation.
A. I wasn't here in the City at the time. I have no idea.
BY MR. GOLDBERG:
Q. Okay. That's fine.
Have you approached the Securities and Exchange Commission to conduct any kind of investigation of the Swaps in light of their extensive investigations of UBS and Bank of America?
MR. JURGENS: Objection to form.
A. Yeah, here again, any -- your question is have I? I think I can answer your question. I think the answer is no.
BY MR. GOLDBERG:
Q. Okay. And you haven't approached them to intervene in the bankruptcy which they have a right to do as we both know under the bankruptcy code?
A. I would hazard a guess that the Security and Exchange Commission is aware of Detroit's bankruptcy.
Q. But you have not approached them to aid you in doing a proper investigation of the Swaps?
A. No. I -- I think they're fully capable of determining what they should do within their mission.
Q. Have you looked into the mortgage practices of Bank of America that -- in light of the financial crisis of

Detroit?
MR. JURGENS: Objection to form.
MR. SHUMAKER: Objection to form.
MR. ESSAD: Objection to relevance.
A. I don't think my duties under 436 would specify to look into the mortgage crisis, so the answer is no.
BY MR. GOLDBERG:
Q. But you would agree with me that the mortgage crisis and the subprime lending crisis is a major contributor to Detroit's financial crisis, would you not?
MR. SHUMAKER: Objection to form, foundation.
A. Mr. Goldberg, I don't know if it was or wasn't.
BY MR. GOLDBERG:
Q. You don't know if it was or it wasn't?
A. No. I've -- I've heard reports that there was disproportionate mortgage foreclosures and so on and so forth, but I've made no conclusion as to whether or not that was a major contributor to Detroit's financial crisis.
Q. I've got you. Well, let me -- let me run this --
(Whereupon Vincent Marriott and Matthew Summers left the Deposition at 3:47 p.m.)
MS. ENGLISH: Can we go off the record for one second, please?

VIDEO TECHNICIAN: We are off the record. The time is 3:47.
(Recess taken at 3:47 p.m.)
(Back on the record at 3:48 p.m.)
VIDEO TECHNICIAN: Back on the record at 3:48 p.m.
BY MR. GOLDBERG:
Q. I'm sorry, I didn't bring that report with me. So your public -- your statement to me is you're not clear whether the subprime mortgage crisis in Detroit was a factor in Detroit's financial crisis?
A. **No. My statement --**
MR. SHUMAKER: Objection to form.
A. **My statement to you -- I believe your question was, was it a major factor, and I said I understand there have been reports, allegations, and stories that there was disproportionate mortgage foreclosure in the City of Detroit. I don't know if that was a major factor in its financial crisis.**
BY MR. GOLDBERG:
Q. And you haven't looked into that issue independently?
A. **No, I've not looked into it independently.**
Q. Even though the banks -- the same banks that are claiming all these Swaps were directly involved in the subprime mortgage crisis?

MR. JURGENS: Objection to form.
A. **Here again, your characterization was directly involved. My mission in this forbearance agreement is look at whether or not this is in the best interest of the City at the time.**
BY MR. GOLDBERG:
Q. Sure.
A. **It seems to be as you and I have discussed before, several times now, that you have expressed concerns about a broader issue regarding banks involvement with the mortgage foreclosure crisis in the City of Detroit. In my opinion, that's not directly related to the issue that we have at hand in the forbearance agreement.**
Q. Let me just ask you one other question. We've been talking about alternative sources of financing. You're familiar with the last CAFR?
A. **Yes.**
Q. Are you familiar with the -- what the 82 million in chargebacks means in this CAFR that the City is paying?
A. **Yes, I think I have some understanding.**
Q. What is your understanding of it, sir?
A. **That there's a certain obligation on the City to pay some money out based upon an analysis of either overcharges or obligations that it has to other -- other organizations and entities.**

Q. Are you aware that chargebacks specifically deal with chargebacks to the County that the County buys -- pays the City for foreclosed tax -- foreclosed properties, then sells them, and the City s responsible for the difference between what they're sold for and what the -- what originally was paid to the City?
A. **Yes, as I said --**
MR. SHUMAKER: Objection, form, foundation.
A. **As I said, it's a process by which the City has obligations to other organizations and entities.**
BY MR. GOLDBERG:
Q. Are you aware that the state has hundreds of -- at least 200 million dollars available in the Hardest -- Helping Hardest Hit funds that could be used to pay off delinquent property taxes?
A. **I've heard that representation before in terms of the Hardest Hit funds. What I am aware of is that the City is entitled to get 52 million dollars of the late -- latest one hundred million dollar transfer of the Hardest Hit funds for blight remediation.**
Q. That's true. Which affects -- affects your general proposal in terms of the cost of blight, correct?
A. **Well, it helps us in terms of getting at the cost of blight as quickly as possible.**

Q. But my question was a little different on that.
A. **Um-hm.**
Q. Have you intervened with Governor Snyder who you -- who you're -- your appointor --
A. **Right.**
Q. -- to secure the release of these Hardest Hit funds to pay off property taxes which would both stabilize communities to keep people in their homes and stabilize the City budget by avoiding the need to pay 80 million in chargebacks?
MR. SHUMAKER: Objection, foundation.
A. **It is not -- it is not -- it has been made clear to me that it is not clear to me that, one, we'd have access to those funds and that those funds can be appropriately used for that purpose.**
BY MR. GOLDBERG:
Q. It's not?
A. **It's -- it's not clear. That's --**
Q. Well, I'll send you some literature on that so you can clarify that.
A. **Okay.**
MR. GOLDBERG: Okay. Okay. Thank you very much.
THE WITNESS: Thank you very much.

VIDEO TECHNICIAN: All set?
THE WITNESS: All done? Okay. Thank you very much.
VIDEO TECHNICIAN: This concludes today's deposition. The time is 3:52 p.m. We are off the record.
(The deposition was concluded at 3:52 p.m. Signature of the witness was not requested by counsel for the respective parties hereto.)

CERTIFICATE OF NOTARY

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

I, CYNTHIA C. MENDENHALL, certify that this deposition was taken before me on the date hereinbefore set forth; that the foregoing questions and answers were recorded by me stenographically and reduced to computer transcription; that this is a true, full and correct transcript of my stenographic notes so taken; and that I am not related to, nor of counsel to, either party nor interested in the event of this cause.

Cynthia C. Mendenhall

CYNTHIA C. MENDENHALL, CSR 5220
Notary Public,
Oakland County, Michigan.

My Commission expires: April 5, 2017

EXHIBIT 4

City of Detroit
$350,000,000 Post-Petition Bond Financing
Summary of Indicative Terms and Conditions of Quality of Life Note

Set forth below is a summary of certain key terms for the Quality of Life Note (as defined below). This summary of indicative terms and conditions (this "Term Sheet") does not purport to summarize all terms of the Quality of Life Note and related documentation.

1. PARTIES AND TRANSACTIONS

Issuer:	The City of Detroit (the "City"). On July 18, 2013 (the "Petition Date"), the City filed a voluntary petition for relief under chapter 9 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code"), in the U.S. Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"). The City's bankruptcy case bears case number 13-53846 (the "Bankruptcy Case") and has been assigned to the Honorable Steven W. Rhodes. The order for relief has not yet been entered; objections are pending.
Purchaser and Sole Lead Arranger:	Barclays Capital Inc.
Note Agent:	Barclays Capital Inc.

2. TYPE AND AMOUNT OF FACILITY

Type and Amount:	A Note Purchase Agreement governing the one-time purchase of a security structured as a senior secured superpriority Chapter 9 debtor financing under section 364(c) of the Bankruptcy Code (the "Quality of Life Note" or the "Note" and, together with (i) the Swap Termination Note or (ii) the Replacement Swap Transaction, as applicable (as selected by the City), the "Post-Petition Facility") in an aggregate principal amount of up to $350,000,000, minus the amount of the Swap Termination Note (as defined in the Swap Termination Note Term Sheet) or the Upfront Amount in respect of the Replacement Swap Transaction (each as defined in the Replacement Swap Transaction Term Sheet), as applicable (the "Facility Amount").
Purposes:	Proceeds from the issuance of the Quality of Life Note shall be used for purposes permitted by law, agreed upon between the City and the Purchaser in the QOL Note Documents and approved by the Bankruptcy Court, including, without limitation, to fund expenditures that are designed to contribute to the improvement of the quality of life in the City.

Maturity:	The Note will mature on the earliest to occur of (a) dismissal of the Bankruptcy Case, (b) the effective date of a plan of adjustment for the City, (c) the date on which maturity of the Note is accelerated pursuant to the QOL Note Documents and (d) the date that is two years and six months after the Closing Date (hereinafter defined) (in any event, the "Maturity Date").
Tax-exemption of Interest:	To be determined.
Closing Date:	The Closing Date shall be not later than the second business day after the last to occur of (i) the Bankruptcy Court having entered an order in form and substance satisfactory to the Purchaser (the "Post-Petition Financing Order"), authorizing the Post-Petition Facility, authorizing the City to enter into the QOL Note Documents and authorizing and directing the City to perform its obligations thereunder that has not been stayed, reversed or vacated and shall not have been amended, supplemented or otherwise modified without the prior written consent of the Purchaser, (ii) the Bankruptcy Court having entered an order for relief in the Bankruptcy Case and (iii) the date on which all conditions precedent to the issuance of the Note under the QOL Note Documents and the issuance of the Swap Termination Note are satisfied and the Swap Termination Note shall have been issued in accordance with the terms of the ST Note Documents (as defined below).
Note Purchase Date:	The Closing Date.

3. CERTAIN PAYMENT PROVISIONS

Scheduled Amortization of Principal:	None prior to the Maturity Date.
Spread:	250 basis points, subject to the terms of the Default Interest Rate set forth below.
Note Interest Rate:	1-month LIBOR plus the Spread. LIBOR at all times shall include statutory reserves and shall be deemed to be not less than 1.00% per annum. The Post-Petition Facility shall be subject to market flex provisions.
Default Interest Rate:	Upon the occurrence of an Event of Default, including the failure by the City to redeem the Note in full on the Maturity Date, at the election of the Purchaser, the initial Spread shall be increased by 200 basis points.

Interest Payment Date:	Each LIBOR reset date, the date of any redemption of the Note (in whole or in part) and the Maturity Date. Interest shall be calculated on the basis of the actual number of days elapsed in a year of 360 days.
Optional Redemption:	The Note may be called for redemption in whole or in part on any business day upon 10 business days' prior written notice (i) at any time on or before the first anniversary of the Closing Date, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and a make-whole premium (which shall be the amount of interest to and including the first anniversary of the Closing Date calculated at the then-current Note Interest Rate) and (ii) at any time after the first anniversary of the Closing Date, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, without premium or penalty. Notwithstanding the foregoing, partial redemptions funded by Asset Proceeds Collateral (as defined below) not required to be used to redeem the Note may occur without premium or penalty at any time upon 10 business days' prior written notice.
Mandatory Redemption:	The City shall utilize all net proceeds of the voluntary disposition or monetization of any City owned asset (the "<u>Asset Proceeds Collateral</u>") which generates net cash proceeds exceeding $10 million to redeem the Note and the Swap Termination Note on a ratable basis upon 10 business days' prior written notice to the Purchaser as and when such net proceeds are received by the City. Principal outstanding in respect of the Note will be due and payable in full upon the Maturity Date.
Assignment and Participation:	The Purchaser may assign all or a portion of the Note to a group of banks, financial institutions and other institutional lenders identified by the Purchaser in consultation with and with the consent of the City, such consent not to be unreasonably withheld, delayed or conditioned (it being agreed that the City's consent shall be deemed to have been given if the City has not responded within five (5) business days of an assignment request). In addition, the Purchaser shall be entitled to sell participations in the Note without the consent of the City.

4. COLLATERAL AND PRIORITY

Collateral:	The obligations owing by the City under the Post-Petition Facility with respect to the Quality of Life Note shall, pursuant to section 364(c) of the Bankruptcy Code, be secured by (i) a first priority lien on (a) taxes owing to the City in respect of the gross receipts earned by each of the City's casinos (the "<u>Pledged Wagering Tax</u>

Revenue") and (b) the Asset Proceeds Collateral and (ii) a second priority lien on the income tax revenues of the City (the "Pledged Income Tax Revenue", and together with the Pledged Wagering Tax Revenue and the Asset Proceeds Collateral, the "Quality of Life Note Collateral"). The lien on (i) the Asset Proceeds Collateral shall also secure the Swap Termination Note on a pari passu basis and (ii) the Pledged Income Tax Revenue shall secure the Swap Termination Note on a first-priority basis.

The QOL Note Documents will require that Pledged Wagering Tax Revenue be deposited into one or more bank accounts (such bank accounts, the "Wagering Tax Revenue Accounts"), which bank accounts shall be subject to control agreements in favor of the Purchaser, provided, however, that the QOL Note Documents shall limit the amount of Pledged Wagering Tax Revenue required to be applied to the outstanding amounts owing with respect to the Quality of Life Note during the continuation of an Event of Default to $4 million per month. The City shall be authorized to use all other Pledged Wagering Tax Revenue for any purpose permitted by law, without limitation, during the continuation of an Event of Default.

The QOL Note Documents will require that the Pledged Income Tax Revenue be deposited into one or more bank accounts (such bank accounts, the "Income Tax Revenue Accounts"), which bank accounts shall be subject to control agreements in favor of the Purchaser, provided, however, that the QOL Note Documents shall limit the amount of Pledged Income Tax Revenue required to be applied to the outstanding amounts owing with respect to the Swap Termination Note during the continuation of an Event of Default to $-- million per month, all of which shall be applied to redeem the Swap Termination Note until such Note is paid in full and thereafter, such amounts (in addition to $4 million per month of Pledged Wagering Tax Revenue) shall be applied to redeem the Quality of Life Note. The City shall be authorized to use all other Pledged Income Tax Revenue to fund the operations of the City, without limitation, during the continuation of an Event of Default.

The Post-Petition Financing Order shall provide, among other things, that it constitutes sufficient and conclusive evidence of the validity, perfection, priority and enforceability of the liens granted thereunder, with the priority described therein, without the necessity of filing or recording any statement, mortgage, notice or other instrument or document which may otherwise be required under state or other non-bankruptcy law.

Super-Priority of | Pursuant to Bankruptcy Code sections 364(c), 503 and 507(a)(2),

Note:	the Note shall have priority over all administrative expenses, over all other postpetition claims and over all prepetition unsecured claims.
Events of Default:	Usual for municipal financings, and others to be reasonably specified by the Purchaser, including, without limitation, nonpayment of principal, interest or other amounts; non-performance of covenants and obligations; incorrectness of representations and warranties in any material respect; cross default in respect of a payment or payments of post-petition debt exceeding $25 million or cross acceleration in respect of post-petition debt in an outstanding aggregate principal amount exceeding $25 million; material post-petition judgments involving liability in an amount exceeding $25 million; actual or asserted invalidity or unenforceability of any QOL Note Document; written assertion by an authorized officer of the City (or any person or entity acting on behalf of or having jurisdiction over the City) that any QOL Note Document or court order with respect thereto is invalid or otherwise not binding on the City; dismissal of the Bankruptcy Case; reversal or modification in a manner adverse to the Purchaser of the order for relief by entry of an order that is not stayed; the City's filing of, consent to or lack of timely opposition to a motion seeking dismissal of the Bankruptcy Case; granting of any super-priority claim (other than as permitted under the QOL Note Documents); entry of an order without the prior written consent of the Purchaser amending, supplementing or otherwise modifying the Post-Petition Financing Order in a manner adverse to the Purchaser, or reversal, vacation or stay of the effectiveness of the Post-Petition Financing Order; cessation of liens or super-priority claims granted in respect of the Note to be valid, perfected and enforceable in all respects with the priority described herein; failure of the Pledged Wagering Tax Revenue to maintain a minimum level of receipts of $30 million for any rolling 3-month period and the Wagering Tax Revenue Accounts to maintain a minimum aggregate value of $5 million at all times; failure of the Pledged Income Tax Revenue to maintain a minimum level of receipts of $30 million for any rolling 3-month period and the Income Tax Revenue Accounts to maintain a minimum aggregate value of $5 million at all times; and the city ceases to be under the control of an emergency manager for a period of thirty (30) days unless a Transition Advisory Board or consent agreement reasonably determined by the Purchaser to ensure continued financial responsibility shall have been established.
Remedies:	Upon any Event of Default, the Purchaser may declare the principal of the Note to be immediately due. Payment of such accelerated principal shall be made by the City on a monthly basis

on a level debt basis equivalent to $4 million per month (or, following repayment in full of the Swap Termination Note, $8 million per month, as set forth above under the heading "Collateral"), plus the pro-rata proceeds of any Asset Proceeds Collateral.

Prohibition of Additional Borrowings:	The City will covenant that it will not obtain or seek to obtain any additional financing, including without limitation, any additional swap transaction, that (a) would have a senior payment priority to the Post-Petition Facility or (b) is secured by a lien on any of the collateral securing the Post-Petition Facility. The Post-Petition Financing Order shall provide, among other things, that no Asset Proceeds Collateral shall be used for any purpose other than the payment of amounts outstanding in respect of the Quality of Life Note or the Swap Termination Note.

5. CERTAIN OTHER PROVISIONS

Documentation: Each in form and substance satisfactory to the Purchaser:

- Note Purchase Agreement
- DTC-eligible Note, issued in denominations of not less than $100,000
- State law validity opinion for Note (with appropriate carve-outs in respect of pledge and priority), including tax treatment of Note, no registration of Note under federal securities laws and no governmental immunity under State law with respect to actions to enforce Note
- State law supplemental opinion in respect of transaction documents, including City's status, right, power and authority, execution and delivery, no further consents and enforceability under State law (with appropriate carve-outs in respect of pledge and priority)
- Bankruptcy opinion including (i) the Post-Petition Financing Order has been entered by the Bankruptcy Court after due notice and is in full force and effect in accordance with its terms and has not been amended, stayed, vacated or rescinded and (ii) subject to and only to the extent provided in the Post-Petition Financing Order, as long as the Bankruptcy Case is pending, the entry of the Order is effective to create a valid and perfected pledge of the collateral in favor of the Purchaser (it being understood that such opinion will state that no opinion is expressed with respect to any amendment, modification, vacation or stay with respect to the Post-Petition Financing Order after the date of such opinion)
- Local emergency financial assistance loan board approval of

Note terms and conditions

- All necessary approvals from the Bankruptcy Court for the Note and security interests in the Note Collateral, including lifting of automatic stay and "good faith" finding
- Custodial undertaking and/or other lockbox agreement with respect to Pledged Income Tax Revenue and Pledged Wagering Tax Revenue
- Ordinances and resolutions of governing bodies and consent of state officers, including Emergency Manager, whose consent is required by applicable law for issuance of Note, entry into QOL Note Documents and grant of Pledged Income Tax Revenue and Pledged Wagering Tax Revenue
- Amendment or repeal by an order of the Emergency Manager of any existing City ordinance or City resolution conflicting with Pledged Income Tax Revenue and Pledged Wagering Tax Revenue
- Written approval of the Emergency Manager, and full compliance with Michigan P.A. 436 and Act 279, with obligations delivered in accordance with applicable law
- Other financing documents to be determined by Purchaser's counsel and City's counsel

Definitive documentation in respect of the Note will contain representations, warranties, affirmative and negative covenants, waiver of sovereign immunity, waiver of jury trial and other terms and conditions to be reasonably specified by the Purchaser.

The foregoing documents are collectively referred to herein as the "QOL Note Documents".

Conditions Precedent: Usual for municipal financings, and others to be reasonably specified by the Purchaser (but in no event to include any financial performance covenants or Bankruptcy Case milestones not expressly set forth herein) including, without limitation, execution and delivery of the QOL Note Documents satisfactory in form and substance to the Purchaser, including in respect of the Pledged Income Tax Revenue and Pledged Wagering Tax Revenue; entry by the Bankruptcy Court of an order for relief in the Bankruptcy Case within 90 days after the Commitment Date; entry by the Bankruptcy Court of the Post-Petition Financing Order satisfactory in form and substance to the Purchaser, which Post-Petition Financing Order shall not have been reversed, vacated or stayed and shall not have been amended, supplemented or otherwise modified in a manner adverse to the Purchaser without the prior written consent of the Purchaser; delivery of legal opinions in form and substance consistent with the documentation requirements set forth in Section 5 hereof; officers' and public officials' certifications; delivery of documentation and other information to the Purchaser to the extent required by any applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act; payment of fees and expenses; effectiveness of definitive documentation in respect of the Swap Termination Note (the "ST Note Documents") reasonably satisfactory to the Purchaser; satisfaction of conditions precedent to the issuance of the Swap Termination Note; accuracy of representations and warranties in all material respects; termination in whole of certain existing swap transactions previously entered into between each of the Detroit Police and Fire Retirement System Service Corporation and the Detroit General Retirement System Service Corporation and certain other counterparties (the "Swap Agreements"); and absence of defaults.

The Purchaser agrees, in connection with any termination of the Swap Agreements, that it will provide to the Swap Agreement counterparties a letter stating, to the extent true, that (i) it has received all documents responsive to the conditions precedent to funding under the Post-Petition Facility except for evidence that the Swap Agreements have been terminated, and (ii) the Purchaser is not aware of anything that would result in the funding of the Post-Petition Facility not occurring on the termination date of the Swap Agreements.

Authority to Borrow:	Prior to the Closing Date, the City shall have received authorization from the Emergency Loan Board under Section 36a of the Home Rule City Act.
City Consent to Jurisdiction:	The City shall consent pursuant to Bankruptcy Code section 904 to the jurisdiction of the Bankruptcy Court to enter the Post-Petition Financing Order and to enforce the City's obligations thereunder.
Restrictions on Dismissal of Bankruptcy Case:	The Post-Petition Financing Order will require payment of all amounts outstanding under the Post-Petition Facility prior to and notwithstanding dismissal of the Bankruptcy Case, unless otherwise agreed to by the Purchaser, and that the Bankruptcy Court or the United States District Court for the Eastern District of Michigan shall retain jurisdiction to enforce the Post-Petition Financing Order. The City will covenant that it will not seek to invalidate or refute the enforceability of any QOL Note Document or the Post-Petition Financing Order, notwithstanding the dismissal of the Bankruptcy Case.
Absence of Fiduciary	The City acknowledges that the transactions described in this

Relationship:	document are arms'-length commercial transactions and that the Purchaser is acting as principal and in its best interests. The City is relying on its own experts and advisors to determine whether the transactions described in this document are in its best interests. The City agrees that the Purchaser will act under this document as an independent contractor and that nothing in this document, the nature of the Purchaser's services or in any prior relationship will be deemed to create an advisory, fiduciary or agency relationship between the Purchaser, on the one hand, and the City, on the other hand. In addition, the Purchaser may employ the services of its affiliates in providing certain services in connection with the transactions described in this document and may exchange with such affiliates information concerning the City that may be the subject of the transactions described in this term sheet. Please note that the Purchaser and its affiliates do not provide tax, accounting or legal advice.
Yield Protection, Taxes and Other Deductions:	The QOL Note Documents shall contain customary provisions for lending transactions, including, without limitation, in respect of breakage and redeployment costs, increased costs, funding losses, capital adequacy, illegality and requirements of law and requirements of Basel III and the Dodd-Frank Wall Street Reform and Consumer Protection Act. All payments shall be free and clear of any present or future taxes, withholdings or other deductions whatsoever (other than customary exceptions to be agreed).
Expenses:	The Purchaser shall be responsible for its expenses (including fees, disbursements and other charges of counsel) in connection with the preparation, execution and delivery of the QOL Note Documents. The City shall pay all reasonable out-of-pocket expenses of the Purchaser (including the fees, disbursements and other charges of counsel) in connection with the enforcement, and any amendment or waiver, of the QOL Note Documents.
Indemnification:	To the extent permitted by law, the City shall indemnify the Purchaser, and their respective affiliates, partners, directors, officers, agents and advisors and hold them harmless from and against all liabilities, damages, claims, costs, expenses (including reasonable fees, disbursements, settlement costs and other charges of counsel) arising out of, or in connection with, the Post-Petition Facility or the Bankruptcy Case (to the extent related to the Transactions) and the City's use of the Note proceeds or the commitments whether or not the City is a party to any such claim and regardless of whether such claim is brought by the City; provided that such indemnity shall not, as to any indemnitee, be available to the extent that such losses, claims, damages, liabilities

	or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such indemnitee. This indemnification shall survive and continue for the benefit of all such persons or entities.
Purchaser Contacts:	John Gerbino, Managing Director James Saakvitne, Managing Director Peter Joyce, Director Barclays Capital Inc. 745 Seventh Avenue, 19th Floor New York, NY 10019 212 526 3466 john.gerbino@barclays.com james.saakvitne@barclays.com peter.joyce@barclays.com
Purchaser Counsel:	Purchaser's counsel will be responsible for drafting the Note Purchase Agreement. George E. Zobitz, Esq. Cravath, Swaine & Moore LLP Worldwide Plaza 825 Eighth Avenue New York, NY 10019-7475 212 474 1000 F 212 474 3700
Michigan Counsel:	Ann D. Fillingham, Esq. James P. Kiefer, Esq. Courtney F. Kissel, Esq. Dykema Gossett PLLC Capitol View 201 Townsend Street, Suite 900 Lansing, MI 48933 517 374 9100 F 517 374 9191 jkiefer@dykema.com
Governing Law:	Michigan.
Jurisdiction and Venue:	The Bankruptcy Court, unless the Bankruptcy Court does not have jurisdiction, in which case, the parties shall consent to the non-exclusive jurisdiction of the courts of the State of New York and

the United States District Court located in the Borough of Manhattan in New York City and of the courts of the State of Michigan and the United States District Court for the Eastern District of Michigan.

EXHIBIT 5

BARCLAYS CAPITAL INC.

PERSONAL AND CONFIDENTIAL

October 6, 2013

The City of Detroit, Michigan
c/o Norma Corio
Co-President and Managing Director
Miller Buckfire & Co., LLC
601 Lexington Avenue, 22nd Floor
New York, New York 10022

$350,000,000 Post-Petition Bond Financing— Fee Letter

Dear Ms. Corio:

Reference is made to the Commitment Letter dated the date hereof (the "Commitment Letter") between the City of Detroit, Michigan (the "City" or "you") and Barclays Capital Inc. ("Barclays", "we" or "us"). Terms used but not defined in this letter agreement shall have the meanings assigned to them in the Commitment Letter (including the exhibits thereto). This Fee Letter is the "Fee Letter" referenced in the Commitment Letter. By accepting the Commitment Letter, you agree to pay (or cause to be paid) the fees set forth in this Fee Letter in accordance with the other terms and conditions set forth therein.

1. Post-Petition Facility

As consideration for Barclays's commitment with respect to the Post-Petition Facility under the Commitment Letter and agreement under the Commitment Letter to structure, arrange and syndicate the Post-Petition Facility, you agree to pay to Barclays, solely for its own account, a commitment fee (the "Commitment Fee") equal to the sum of (a) 1.25% of the aggregate principal amount of the Quality of Life Note and (b) 1.25% of the aggregate principal amount of the Swap Termination Note; provided, however, that the aggregate Commitment Fee in respect of the Post-Petition Facility shall be no less than $750,000. The Commitment Fee shall be earned in full on the date upon which the City delivers its signed signature page to the Commitment Letter to Barclays, regardless of whether any debt is issued or whether the transactions contemplated by the Commitment Letter are consummated, and shall be due and payable to Barclays as follows: (a) 50% on the date hereof and (b) 50% on the earlier of (i) 60 days from the date hereof and (ii) the Closing Date. You acknowledge that a subsequent fee in an amount to be determined by Barclays and agreed to by you shall be required in respect of any additional facility or any amendment to the Post-Petition Facility entered into between you and Barclays (or its affiliate) that has the effect of extending the Maturity Date of the Quality of Life Note or the Swap Termination Note. Further, you acknowledge that, in the event we or our affiliates act in any other capacity with respect to the Post-Petition Facility, any fees owed to us in connection therewith that are agreed to by you shall be in addition to any fees payable to us hereunder.

The Participants' (including the Purchaser's) several commitments to provide the Post-Petition Facility are conditioned upon the payment on or prior to the Closing Date of the fees described in this Section 1 and any other fees required to be paid under the Commitment Letter, but the consummation of the Transactions is not a condition of the payment of the fees.

2. Fees Generally; Expenses

All fees payable hereunder will be payable in U.S. dollars in immediately available funds to the Purchaser, the Arranger, the Note Agent and/or the other Participants (as applicable) for their own accounts, or as directed by them, in any such case, free and clear of and without deduction for any and all present or future applicable taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto (with appropriate gross-up for withholding taxes) and will not be subject to reduction by way of setoff or counterclaim. You agree that, once paid, the fees or any part thereof payable hereunder or under the Term Sheets shall not be refundable under any circumstances regardless of whether the transactions contemplated by the Commitment Letter are consummated or the Post-Petition Financing Order is entered by the Bankruptcy Court. All fees payable hereunder shall not be subject to any contingency or condition (except as expressly set forth in this Fee Letter) and shall be in addition to reimbursement of Barclays's out-of-pocket expenses (to the extent required to be reimbursed under the terms of the Commitment Letter). You agree that we may, in our sole discretion, share all or any portion of the fees payable hereunder to us with any other Participant.

3. Market Flex

You hereby agree that the Purchaser may, after consultation with you, make any or all of the following changes, which will be approved by the Bankruptcy Court in the Post-Petition Financing Order and will require no additional authorizations or approvals, to the Post-Petition Facility (in respect of either or both of the Quality of Life Note and the Swap Termination Note, to be determined in the sole discretion of the Purchaser), at any time, and from time to time (including after the Closing Date), if the Purchaser determines, in its discretion and in consultation with you, that (i) such changes are reasonably necessary to facilitate the Successful Syndication (as defined below) of the Post-Petition Facility within 90 days after the Closing Date or (ii) a Successful Syndication on the terms set forth in the Term Sheets is unable to be achieved within 90 days after the Closing Date:

(i) the LIBOR floor may be increased by up to 1.00% per annum; and

(ii) the weighted average interest rate margins under the Post-Petition Facility (taken as a whole) may be increased by up to 2.00% per annum.

In the event that the Closing Date has occurred and the Note Documents have been executed and delivered prior to the Successful Syndication of the Post-Petition Facility, you hereby agree, at your own expense, to take all such action as may be required in order to effect any amendments to the Post-Petition Facility, or other changes, as may be necessary or reasonably requested by the Purchaser to document any changes pursuant to this Section 3. You further agree to reasonably cooperate with us with regard to immaterial changes requested by potential Participants prior to the Successful Syndication of the Post-Petition Facility. The Purchaser's commitment in the Commitment Letter is subject to the agreements set forth in this Section 3, and the provisions of this Section 3 will survive the closing of the Post-Petition Facility and the execution and delivery of the Note Documents.

For purposes hereof, a "Successful Syndication" shall mean one in which the Purchaser and its affiliates are able to achieve a targeted hold level of no more than $175,000,000 of the Post-Petition Facility (taken as a whole).

4. General

This Fee Letter shall not be assignable by you, and your rights and obligations hereunder may not be assigned or delegated, without the prior written consent of Barclays, and any attempted assignment without such consent shall be void. This Fee Letter may not be amended or any provision hereof waived or modified except by an instrument in writing signed by each of Barclays and you. This Fee Letter may be executed in any number of counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one agreement. Delivery of an executed counterpart of a signature page of this Fee Letter by facsimile transmission or other electronic transmission (in "pdf" or "tif" format) shall be effective as delivery of a manually executed counterpart of this Fee Letter. This Fee Letter, the Commitment Letter and the Term Sheets are the only agreements that have been entered into among us with respect to the Post-Petition Facility and set forth the entire understanding of the parties with respect thereto. This Fee Letter, the Commitment Letter and the Term Sheets supersede all prior understandings, whether written or oral, between us with respect to the Post-Petition Facility. This Fee Letter is intended to be solely for the benefit of the parties hereto and is not intended to confer any benefits upon, or create any rights in favor of, any person other than the parties hereto. This Fee Letter and any claims, controversy, dispute or cause of action (whether in contract or tort or otherwise) based upon, arising out of or relating to this Fee Letter and the transactions contemplated hereby shall be governed by, and construed in accordance with, the laws of the State of Michigan. Barclays may perform the duties and activities described hereunder through any of its affiliates and the provisions of Section 4 of the Commitment Letter shall apply with equal force and effect to any of such affiliates so performing any such duties or activities.

In addition, please note that neither the Purchaser nor the Arranger nor any of their respective affiliates provides tax, accounting or legal advice.

You agree that you will not disclose, directly or indirectly, this Fee Letter or the contents hereof other than as permitted by the Commitment Letter.

It is understood and agreed that this Fee Letter shall not constitute or give rise to any commitment, undertaking or obligation on the part of Barclays or its affiliates to purchase any note or provide any financing in respect of the Post-Petition Facility; such an obligation shall arise only under the Commitment Letter (subject to the conditions and limitations set forth therein) if accepted in accordance with its terms.

The provisions of this Fee Letter will survive the expiration or termination (including, if applicable, in the event the Post-Petition Financing Order is not entered by the Bankruptcy Court) of the Commitment Letter (including any extensions thereof) and the funding of the Post-Petition Facility.

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EXHIBIT 6

CITY OF DETROIT
BUDGET DEPARTMENT
ADMINISTRATION

5

RECEIVED
11/8/13

COLEMAN A. YOUNG MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1100
DETROIT, MICHIGAN 48226
PHONE: 313•224•6260 TTY:311
FAX: 313•224•2827
WWW.DETROITMI.GOV

TO: Kevyn Orr, Emergency Manager Kevyn Orr approved

FROM: Brent Hartzell, Interim Budget Director Brent Hartzell

DATE: October 24, 2013

RE: **Request for Amendment to the FY 2014 Budget of the City of Detroit (with appropriation revisions in consultation with Ernst & Young)**

At your direction, debt service appropriations for pension obligation certificates and limited tax general obligation debt for which principal and interest are not being remitted during the Chapter 9 bankruptcy filing are to be reallocated for general operational restructuring purposes. These debts include pension obligation certificates and several obligations backed by limited tax general obligation revenues.

Accordingly, pursuant to your authority under Emergency Order 12 and section 12(1)(b) of Michigan Public Act 436 of 2012, the Budget Department requests that you amend the City's FY 2014 Budget to shift $95,686,548 from various appropriations in the General Fund (see attached resolution) to the general restructuring account (Appropriation 13224). A subsequent amendment will reallocate authority within grant and enterprise funds to the extent necessary. Once decisions are made in placing specific authority within designated agencies, reallocation amendments from the restructuring account will also be required.

Confirmation of your intent and approval of this reallocation are hereby requested.

cc: Shani Penn, Chief of Staff to the Emergency Manager
Sonya Mays, Senior Advisor to the Emergency Manager
Gary Brown, Chief Operating Officer
John Naglick, Finance Director and Acting Chief Financial Officer
Portia Roberson, Corporation Counsel
City Council Members
Irvin Corley, City Council Legislative Policy Division
Adam Hollier, Legislative Liaison, Mayor's Office

BY THE EMERGENCY MANAGER:

RESOLVED, pursuant to Emergency Order 12 and section 12(1)(b) of Michigan Public Act 436 of 2012 and to ensure legal authorization of additional costs for restructuring activities, that the FY 2014 Budget of the City of Detroit be and is hereby amended as follows:

FROM LTGO-SERVICED INDEBTEDNESS:	
Decrease Appropriation No. 00852, Claims Fund (Insurance Premium)	$ 13,630,500
~~Decrease Appropriation No. 00993, DDA Bonds 1997~~	~~$ 1,369,400~~
Decrease Appropriation No. 12129, 800 MHz Project Debt Service	$ 34,953,272
FROM PENSION OBLIGATION CERTIFICATES:	
Decrease Appropriation No. 00024, Central Data Processing (ITS)	$ 314,898
Decrease Appropriation No. 00028, Administration (DPW)	$ 48,199
Decrease Appropriation No. 00058, Administration (Finance)	$ 80,924
Decrease Appropriation No. 00060, Assessments Division (Finance)	$ 370,326
Decrease Appropriation No. 00061, Purchasing Division (Finance)	$ 107,998
Decrease Appropriation No. 00063, Treasury Division (Finance)	$ 248,405
Decrease Appropriation No. 00064, Executive Mgmt. and Support (Fire)	$ 256,683
Decrease Appropriation No. 00065, Ordinance Enforcement (Fire)	$ 472,482
Decrease Appropriation No. 00067, Emergency Medical Services (Fire)	$ 2,223,265
Decrease Appropriation No. 00068, Administration (DHWP)	$ 126,812
Decrease Appropriation No. 00096, Executive Office (Mayor)	$ 264,113
Decrease Appropriation No. 00102, Parking Violations Bureau (Muni. Pkg.)	$ 272,260
Decrease Appropriation No. 00105, Administration (Human Resources)	$ 108,407
Decrease Appropriation No. 00106, Personnel Selection (Hum. Resources)	$ 28,391
Decrease Appropriation No. 00108, Labor Relations (Hum. Resources)	$ 130,266
Decrease Appropriation No. 00111, Police Commission (Police)	$ 312,798
Decrease Appropriation No. 00112, Police Executive (Police)	$ 729,631
Decrease Appropriation No. 00115, Human Resources Bureau (Police)	$ 290,215
Decrease Appropriation No. 00118, Criminal Investigation Bureau (Police)	$ 4,675,247
Decrease Appropriation No. 00119, Management Services Bureau (Police)	$ 793,726
Decrease Appropriation No. 00123, Administration (PLD)	$ 89,419
Decrease Appropriation No. 00127, Engineering (PLD)	$ 123,781
Decrease Appropriation No. 00128, Street Lighting (PLD)	$ 707,857
Decrease Appropriation No. 00129, Operating Division (PLD)	$ 143,790
Decrease Appropriation No. 00131, Heat and Power Production (PLD)	$ 197,200
Decrease Appropriation No. 00181, Conduct of Elections (Elections)	$ 257,109
Decrease Appropriation No. 00182, Investigation of Complaints (Ombuds.)	$ 66,287
Decrease Appropriation No. 00183, Land Use Controls (BZA)	$ 28,274
Decrease Appropriation No. 00226, Budget Dept. Operations (Budget)	$ 116,077
Decrease Appropriation No. 00245, Accounts Div.-Administration (Finance)	$ 391,146
Decrease Appropriation No. 00247, Accounts-City Income Tax Ops. (Finance)	$ 273,977
Decrease Appropriation No. 00250, Protection of Human Rights (Hum. Rights)	$ 29,334
Decrease Appropriation No. 00261, Auditing Operations (Auditor Gen.)	$ 92,231
Decrease Appropriation No. 00265, City Clerk Ops. (City Clerk)	$ 97,553
Decrease Appropriation No. 00269, City Legislative Functions (Council)	$ 282,263
Decrease Appropriation No. 00277, Detroit Bldg. Authority (Non-Dept.)	$ 70,169
Decrease Appropriation No. 00393, District Court (36th Dist. Ct.)	$ 216,825

Decrease Appropriation No. 00537, Rape Counseling Unit (Police)	$	23,074
Decrease Appropriation No. 00715, Vehicle Mgmt. and Supply (Fire)	$	125,606
Decrease Appropriation No. 00718, Fire Fighting Operations (Fire)	$	7,260,078
Decrease Appropriation No. 00760, Commun. & Systems Support (Fire)	$	241,690
Decrease Appropriation No. 00832, Dept. Accounting Operations (Finance)	$	116,377
Decrease Appropriation No. 00833, Employee Services (Hum. Resources)	$	307,364
Decrease Appropriation No. 00854, Hearings & Policy Dev. (Hum. Rsrcs.)	$	9,810
Decrease Appropriation No. 00880, Police Athletic League (Police)	$	25,035
Decrease Appropriation No. 00883, Development-City (PDD)	$	24,249
Decrease Appropriation No. 00910, City Engineer (DPW)	$	66,966
Decrease Appropriation No. 00922, Council President Office (Council)	$	7,203
Decrease Appropriation No. 00923, Council Member Office 1 (Council)	$	6,216
Decrease Appropriation No. 00924, Council Member Office 2 (Council)	$	6,216
Decrease Appropriation No. 00925, Council Member Office 3 (Council)	$	6,216
Decrease Appropriation No. 00926, Council Member Office 4 (Council)	$	6,216
Decrease Appropriation No. 00927, Council Member Office 5 (Council)	$	6,216
Decrease Appropriation No. 00928, Council Member Office 6 (Council)	$	6,216
Decrease Appropriation No. 00929, Council Member Office 7 (Council)	$	6,216
Decrease Appropriation No. 00930, Council Member Office 8 (Council)	$	6,216
Decrease Appropriation No. 04739, General Revenue-Non-Dept. (Non-D)	$	201,732
Decrease Appropriation No. 09112, Enhanced E-911 (Police)	$	295,941
Decrease Appropriation No. 10082, Operations (Police)	$	14,120,763
Decrease Appropriation No. 10151, Casino Municipal Services (Fire)	$	258,904
Decrease Appropriation No. 10152, Casino Municipal Services (Police)	$	531,685
Decrease Appropriation No. 10397, Board of Ethics (Non-Dept.)	$	13,886
Decrease Appropriation No. 11040, Administration (Police)	$	127,683
Decrease Appropriation No. 11041, Technical Services Bureau (Police)	$	2,235,657
Decrease Appropriation No. 11042, Legal Affairs/Training (Police)	$	865,209
Decrease Appropriation No. 11159, Blight Violations Adjudic. (DAH)	$	41,333
Decrease Appropriation No. 11195, Risk Management Council (Auditor Gen.)	$	16,695
Decrease Appropriation No. 11656, Recreation Mgmt. (Recreation)	$	49,083
Decrease Appropriation No. 11657, Busin. Ops. & Suppt. Svcs. (Recreation)	$	24,213
Decrease Appropriation No. 11663, Recreation Operations (Recreation)	$	225,803
Decrease Appropriation No. 11665, Belle Isle Operations (Recreation)	$	8,433
Decrease Appropriation No. 11825, Administration (GSD)	$	76,777
Decrease Appropriation No. 11830, Facilities & Grounds Maint. (GSD)	$	327,551
Decrease Appropriation No. 11831, Inventory Management (GSD)	$	36,422
Decrease Appropriation No. 12146, Business License Center (BSEE)	$	36,353
Decrease Appropriation No. 12153, Fleet Management (GSD)	$	761,572
Decrease Appropriation No. 12154, General Services-Street Fund (GSD)	$	211,958
Decrease Appropriation No. 13125, Media Services/Comunic. (Non-Dept.)	$	49,669
Decrease Appropriation No. 13152, Street Maint. Garage (GSD)	$	131,603
Decrease Appropriation No. 13161, Environmental Affairs Dept. (BSEE)	$	24,618
Decrease Appropriation No. 13168, Real Estate & GIS (PDD)	$	35,474
Decrease Appropriation No. 13174, Strategic Planning/Grants (Recreation)	$	6,482
Decrease Appropriation No. 13336, Ground Maintenance (GSD)	$	222,123
Decrease Appropriation No. 13530, Office of the Inspector General (OIG)	$	79,902
Decrease Appropriation No. 13532, Homeland Security Ops. (Police)	$	15,489
Decrease Appropriation No. 13567, Animal Control (Police)	$	109,668

Decrease Appropriation No. 13608, Pension & Employee Benefits (Non-Dept.)	$	244,371
Decrease Appropriation No. 13637, Elected Officials Compensation (Non-Dept.)	$	136,725

TO GENERAL RESTRUCTURING NEEDS:

Increase Appropriation No. 13224, Restructuring Consolidation	$	95,686,548

AND BE IT FURTHER RESOLVED; that the Finance Director be and is hereby authorized to increase the necessary accounts and honor vouchers in accordance with the forgoing communication and regulations of the *City of Detroit.*

10/25/13

Kevyn Orr
Emergency Manager
City of Detroit

[redacted]

[redacted]

[redacted]

EXHIBIT 7

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

City of Detroit, Michigan.

Debtor.

Chapter 9
Case No. 13-53846
Hon. Steven W. Rhodes

Order Regarding Casino Revenues and Automatic Stay

For the reasons stated in open court today, the Court concludes that the Casino Revenues are property of the estate and are subject to the automatic stay of 11 U.S.C. § 362(a)(3). This order is without prejudice to the right of any party to seek relief from the stay under 11 U.S.C. § 362(d).

It is so ordered.

Signed on August 28, 2013

/s/ Steven Rhodes
Steven Rhodes
United States Bankruptcy Judge

EXHIBIT 8

SIGN PETITION TO REQUEST US DOJ FRAUD INVESTIGATION OF UBS RE: PREDATORY $1.5 BILLION DETROIT LOAN

PREDATORY LENDING: Jan. 31, 2004: Wall Street ratings agenices reps Joe O'Keefe of Fitch Ratings (speaking), and Stephen Murphy of Standard and Poor's (to his left), foisted $1.5 BILLION loan on city of Detroit. Also shown in photo (l) then Detroit CFO Sean Werdlow, who left the Kilpatrick administation later that year to take a job with UBS 'minority partner Siebert, Brandford & Shank as managing director, and (r) then Deputy Mayor Anthony Adams. Photo by Diane Bukowski

VOD requested investigation by USDOJ, no response yet

By Diane Bukowski July 3, 2013

Voice of Detroit has submitted the following request to the U.S. Department of Justice for a criminal fraud investigation related to the 2005 $1.5 Billion Pension Obligation Certificates loan

UBS AG CEO Sergio Ermatti

EXHIBIT 9

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In re:

City of Detroit, Michigan,

Debtor.
_______________________________/

Chapter 9
Case No. 13-53846
Hon. Steven W. Rhodes

<u>Notice of Filing by Detroit City Council of</u>
<u>Resolution Regarding The Emergency Manager's</u>
<u>Post-Petition Financing Proposal</u>

Now Comes the Detroit City Council and hereby gives notice of the adoption of the attached Resolution Regarding The Emergency Manager's Post-Petition Financing Proposal, and its filing with this Court.

October 25, 2013

Saunteel Jenkins
By: Saunteel Jenkins, President
Detroit City Council

Form C of D—16-CR

TRUE COPY CERTIFICATE

STATE OF MICHIGAN, } ss.
City of Detroit

CITY CLERK'S OFFICE, DETROIT

I, Janice M. Winfrey, City Clerk of the City of Detroit, in said State, do hereby certify that the annexed paper is a TRUE COPY OF RESOLUTION

adopted (passed) by the City Council at session of

October 25, 20 13

and approved by Mayor

20

as appears from the Journal of said City Council in the office of the City Clerk of Detroit, aforesaid; that I have compared the same with the original, and the same is a correct transcript therefrom, and of the whole of such original.

In Witness Whereof, I have hereunto set my hand and affixed the corporate seal of said City, at

Detroit, this 25th

day of October A.D. 20 13

CITY CLERK

A RESOLUTION BY COUNCIL MEMBER ____________________

RESOLUTION REGARDING THE EMERGENCY MANAGER'S POST PETITION FINANCING PROPOSAL

WHEREAS On October 11, 2013, the Emergency Manager Kevyn Orr (EM) filed with the City Clerk for transmission to the City Council *Order No. 17 – Approval of Post-Petition Financing* for the issuance of Financial Recovery Bonds (Secured Financing) pursuant to Sec. 36a of the Home Rule City Act, 279 PA of 1909, as part of the EM's ongoing restructuring and settlement strategies being advanced through the City's Chapter 9 bankruptcy proceedings, *In Re City of Detroit*, United States Bankruptcy Court for the Eastern District of Michigan, Case No. 13-53846. More specifically, the financing from the proposed transaction would refinance the interest rate Swap Agreements at 75% to 82% of their purported value and include additional financing to provide the City of Detroit with funds to use for City service improvement projects; and

WHEREAS The proposed Debtor-in-Possession Financing transaction is an extremely complex deal on a number of fronts that does not seem to be in the best interest of the City. The key terms include a maximum principal aggregate amount of $350 million dollars at a floating interest rate with a maturity date no later than two and one half years from the date of issuance, although it is quite possible that the loans would mature as early as November 2014. Essentially, if the proposed transaction is consummated the City will be taking a fixed rate loan and swapping it for a variable rate loan putting the City in the same predicament that the original Swaps were supposed to cure, and seems to primarily benefit the two Swap counterparties Bank of America and UBS; and

WHEREAS It cannot be emphasized enough that this lending is of a very temporal nature; the maturity date of the loans is estimated by the Emergency Manager to be some time between November 2014 and May 2016. There is no guarantee that replacement funding will be available by this lender or any other lender when these loans mature in as little as one year placing the City into a very foreseeable default position triggering onerous default penalty provisions; and

WHEREAS Miller Buckfire has indicated that the City will save approximately $35M per year in financing costs by accepting this deal; however, these savings are achieved by making interest only payments on these new loans. The City's underlying principal debt will not decrease under this proposal; rather, it is a mere stop gap measure until permanent financing is found; and

WHEREAS It has been indicated that the impetus for this transaction is to ensure the continued flow of casino tax revenues to the City throughout the bankruptcy process; however, this seems to disregard Judge Rhodes' order that essentially accomplished the same thing by providing that the casino revenue is the property of the bankruptcy estate and therefore subject to the automatic stay; and

WHEREAS This Post-Petition financing appears to be an attempt to keep the Swaps out of the bankruptcy proceeding instead of challenging the Swaps counterparties' tenuous status as secured creditors. The counterparties' senior creditor status was achieved by pledging the casino wagering taxes to collateralize the underlying Swap agreements. According to MCL 432.212(2), the use of casino wagering taxes for such a pledge appears impermissible. Rather than seeking a declaration of this position by the Court, this deal would transform a soft liability into a firm liability at a time in the interest rate cycle when the Swap liability could actually start to decline; and

WHEREAS Not unlike the Swap Agreements that have been universally recognized as a bad deal for the City, Barclays is requiring the City to pledge its major revenue in order to secure this transaction. The City will have to pledge not only its casino wagering tax revenue but also its income tax revenue. These are the City's two most stable general fund revenue sources. Barclays is also requiring prepayment of any asset monetization net proceeds over *$10M. This would give Barclays too much power and* control over the City's revenues and future and limits the City's ability to negotiate or resolve other claims in bankruptcy; and

WHEREAS Municipal Market Advisors support the thought that proposed financing is more advantageous to the financiers. They indicate that the loans seem to be "a very good deal for the lender and the swap counterparties but less so for the [C]ity's unsecured creditors and its residents. The seeming lack of a tangible recovery plan that improves Detroit's revenues over the period of the loans renders us skeptical about the [C]ity's ability to repay an amount of this magnitude in a short time frame without causing additional stress to the detriment of city residents and unsecured creditors that may have their recoveries tied to the [C]ity's financial performance."[1]; and

WHEREAS The default provisions within the proposed agreement are very aggressive and easily triggered. The default provisions are broad and include the following: the agreement calls for the City to remain under some level of state control, *i.e.*, emergency manager, consent agreement, or transition advisory board. Additionally, a mere assertion by any person or entity acting on behalf of or having jurisdiction over the City that any Quality of Life loan is not binding, would trigger a default; and

WHEREAS The $350M Post-Petition Financing includes a Quality of Life Loan; these newly borrowed funds are proposed to be used to make certain unspecified improvements in City government. From the information provided thus far, it appears that none of the proceeds will be used to create new

[1] *Bond Buyer*, October 21, 2013, "Detroit Council Rejects DIP Loan"

revenue. If the City is ever to achieve a stronger financial position, strengthening revenues and revenue collection under the City's control is key. Additional revenues will improve the quality of life for citizens as it will provide funds for City services. It is difficult without additional information to determine whether the use of these funds would be prudent investments. Additionally, it would be unwise to incur more debt to facilitate the payment of costly consultants; and

WHEREAS Pursuant to Sec. 19 of Public Act 436 of 2012, the Local Financial Stability and Choice Act, MCL 141.1541, *et seq.*, City Council had the authority to approve or disapprove this proposed transaction within ten (10) days from the date of submission by the EM, or by October 21, 2013. If Council votes to disapprove, it must submit an alternative proposal to the local emergency financial assistance loan board that would yield substantially the same financial result for the City as the EM's proposal within seven (7) days of its disapproval. If Council does not act, within the ten (10) day timeframe, the EM's proposed transaction is considered approved under the relevant statute; and

WHEREAS Upon receipt of the proposal, City Council, in addition to its own individualized study of the transaction, requested its Legislative Policy Division (LPD) to review the documents related to the proposed transaction. LPD immediately consulted with the City's financial and legal consulting firms principally responsible for crafting the transactional documents on the City's behalf, Miller Buckfire and Jones Day. Since the beginning of LPD's review, numerous questions have been submitted to the consultants and although some information has been provided, a host of uncertainties and unanswered questions remain; and many of these questions simply cannot be answered adequately within the short window allotted for City Council's consideration under the aforementioned statute. Additionally, many critical issues remain unresolved until decisions by the Bankruptcy Court or other courts are made; and

WHEREAS Despite Council's diligent efforts, the complexities of the proposed transaction coupled with its uniqueness (to date the single largest municipal bankruptcy filed in the United States), and the precedent setting ramifications of decisions related to this bankruptcy financing instrument, the lack of available independent subject matter experts in municipal financing arrangements of this type to properly vet the transaction, combine to make it impractical to meet the compressed statutory deadline in any competent, meaningful way; and

WHEREAS In addition to not being able to properly vet the proposed transaction given the information provided, the abbreviated timeframe also constrains Council's authority to propose a reasonable or credible alternate proposal under MCL 141.1559(2); and

WHEREAS Based on the foregoing information, it appears that the deal being brokered is being done in order to set a precedent for how municipal bankruptcies work to facilitate future bankruptcies in other cities rather than to broker the best deal for the City of Detroit, thus putting the interests of lenders before the interests of the City and its residents. The goal seems to be to ensure the protection of the lenders at the detriment of all other interested parties. By settling all claims against the counterparties, the City would surrender any ability to challenge the legality of any of the actions taken regarding the original Swap Agreement, as well as any ability to challenge the City's receivership status, the counterparties' creditor status or the appropriateness of the pledging of revenues; and

WHEREAS The City Council has received an alternative to the proposed Post-Petition Financing. The proposal attempted to improve upon some of the terms of the proposal proffered by the Emergency Manager. The untimely receipt of the proposal, however, does not allow City Council to obtain the expertise necessary to properly vet the alternative proposal. The seven (7) day limitation created by P.A. 436 of 2012 places an unrealistic time frame in which to solicit and consider a counteroffer to a proposal that took months to create. **NOW THEREFORE BE IT**

RESOLVED That the Detroit City Council is in receipt of *Order No. 17 – Approval of Post-petition Financing* for the issuance of Financial Recovery Bonds (Secured Financing) which has triggered the provisions of Sec. 19 of Public Act 436 of 2012, the Local Financial Stability and Choice Act, MCL 141.1541, *et seq.*, granting City Council the authority to vote on the proposed transaction; and **BE IT FURTHER**

RESOLVED If obtained, it is strongly urged that any funds from the Quality of Life Loan be used to strengthen revenues and revenue collections by improving the collection systems for income tax, property tax and the property assessment. Hardware improvements as well as staffing level increases in the Finance Department and the Law Department will send a message to non-payers *that not paying what is owed is no longer an option; and* **BE IT FURTHER**

RESOLVED That the Detroit City Council has voted to disapprove Mr. Orr's proposed transaction and would ask that Judge Rhodes determine whether counterparties are indeed secured creditors in light of the Michigan statute that prohibits the use of wagering taxes in transactions collateralizing swap agreements and whether the instant settlement with the counterparties are in the best interest of the City in light of surrounding circumstances as discussed above; and **BE IT FINALLY**

RESOLVED That a copy of this resolution be forwarded to Judge Steven Rhodes, Governor Rick Snyder, State of Michigan Department of Treasury, Emergency Manager Kevyn Orr, Municipal Loan Board and Mayor Dave Bing.

October 25, 2013