



**NOTICE OF CHAPTER 9 CASE DEVELOPMENTS AND COMMENCEMENT OF
ADVERSARY PROCEEDING BY THE DEBTOR AGAINST THE DETROIT
RETIREMENT SYSTEM FUNDING TRUST 2006 AND OTHER PARTIES
TO HOLDERS ("HOLDERS") OF**

**DETROIT RETIREMENT SYSTEMS FUNDING TRUST 2006
CERTIFICATES OF PARTICIPATION SERIES 2006-A**

CUSIP Affected: 251228AA0*

**DETROIT RETIREMENT SYSTEMS FUNDING TRUST 2006
CERTIFICATES OF PARTICIPATION SERIES 2006-B**

CUSIP Affected: 251228AB8 and 251228AC6*

COLLECTIVELY, THE "CERTIFICATES"

NOTE: THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE SUBJECT SECURITIES. IF APPLICABLE, ALL DEPOSITORIES, CUSTODIANS, AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE RE-TRANSMITTAL TO BENEFICIAL OWNERS OF THE SECURITIES IN A TIMELY MANNER.

Wilmington Trust Company, National Association ("WTC") is successor to U.S. Bank National Association as Trustee (the "Trustee") under that certain Trust Agreement dated June 12, 2006 (the "Trust Agreement") by and among the Trustee, the Detroit General Retirement System Service Corporation (the "GRS Corporation"), and the Detroit Police and Fire Retirement System Service Corporation (the "PFRS Corporation," and collectively with the GRS Corporation, the "Service Corporations").

Separate from its role as Trustee under the Trust Agreement, WTC is also successor to U.S. Bank National Association in its capacity as contract administrator (the "Contract Administrator") under that certain Contract Administration Agreement dated June 12, 2006 (the "Contract Administration Agreement") by and among the Contract Administrator, the Funding Trust (defined herein), the GRS Corporation, and the PFRS Corporation.

Unless otherwise noted, capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Trust Agreement and the accompanying General Terms and Conditions dated May 1, 2005.

The Certificates

The Certificates were issued by the "Detroit Retirement Systems Funding Trust 2006"

(the "Funding Trust") established under the Trust Agreement for the purpose of funding the unfunded accrued actuarial liability of the Detroit General Retirement System and the Detroit Police and Fire Retirement System. The Certificates evidence individual undivided proportionate interests in the rights to receive certain payments (the "Funding Trust Receivables") to be made by the City of Detroit, Michigan (the "City") under two service contracts of the City, namely (i) a Service Contract dated June 7, 2006 between the City and the GRS Corporation and (ii) a Service Contract dated June 7, 2006 between the City and the PFRS Corporation (collectively, the "Service Contracts"). The Trust Agreement, the Contract Administration Agreement and the Service Contracts are sometimes referred to herein collectively as the "Transaction Documents."

Pursuant to the Service Contracts, the City is obligated to make service payments and certain additional payments to the Contract Administrator corresponding to the principal and interest payments due and owing on the Certificates. Pursuant to the Trust Agreement, the Service Corporations assigned their respective rights and interests in the Funding Trust Receivables due under the Service Contracts to the Funding Trust.

Insurance Policies

The scheduled payment of principal and interest on the Certificates is guaranteed under certain insurance policies (the "Policies") issued by Financial Guaranty Insurance Company ("FGIC") and Syncora Guarantee Inc. f/k/a XL Capital Assurance Inc. ("Syncora," and collectively with FGIC, the "Insurers"), respectively. Pursuant to Section 6.9.2 of the Contract Administration Agreement and Section 802 of the Trust Agreement, so long as the Policies are in effect and the Insurers are not in default thereunder, the Insurers are deemed to be holders of Certificates equal to the principal amount insured by them and generally have the right to direct the Contract Administrator with respect to remedial actions to be taken in response to an Event of Default.

Chapter 9 Bankruptcy Filing

As previously reported by the prior Trustee, on July 18, 2013 (the "Petition Date"), the City filed a voluntary petition under chapter 9 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"). The chapter 9 case number is 13-53846 (the "Chapter 9 Case") and the presiding judge is the Hon. Steven W. Rhodes. Commencement of the Chapter 9 Case constitutes an Event of Default under Section 6.2.1(2) of the Contract Administration Agreement.

Copies of all pleadings, orders and documents filed in the Chapter 9 Case may be accessed by visiting the website maintained by the City's claims and noticing agent, Kurtzman Carson Consultants, LLC at <http://www.kccllc.net/Detroit>.

On December 23, 2013, the U.S. Trustee appointed an Official Committee of Unsecured Creditors (the "Committee"), comprised of five (5) members. WTC was appointed to and is serving as a member of the Committee. The Committee has engaged the law firm of Morrison & Foerster LLP and Steinberg Shapiro & Clark as counsel.

On January 31, 2014, the Debtor filed a motion with the Bankruptcy Court seeking to vacate the appointment of the Committee (the "Motion to Vacate"). The Motion to Vacate and any objections thereto has been scheduled to be heard by the Bankruptcy Court on February 19, 2014 at 10:00 a.m. EST.

Ruling on Eligibility for Chapter 9

On December 3, 2013, the Bankruptcy Court ruled that the City was eligible to be a debtor under chapter 9 of the Bankruptcy Code (the "Eligibility Ruling"). On December 5, 2013, the court entered its written Opinion Regarding Eligibility (the "Eligibility Opinion"). The Eligibility Opinion includes a determination that the Bankruptcy Court is explicitly empowered to impair contractual rights relating to accrued vested pension benefits, which, as determined by the Bankruptcy Court, under the Michigan Constitution are accorded the status of contractual obligations not subject to any greater protection than other contracts. The Bankruptcy Court's Eligibility Opinion also included a determination that the City was "service delivery insolvent."

The Eligibility Opinion has been appealed by several parties, some of whom have requested a direct appeal to the United States Court of Appeals for the Sixth Circuit. On December 20, 2013, the Bankruptcy Court certified that one of the circumstances allowing for a direct appeal of the Eligibility Ruling existed, namely that the Eligibility Ruling "involves a matter of public importance." However, in the same ruling, the Bankruptcy Court recommended that the Court of Appeals decline to authorize the direct appeals, noting that the Eligibility Ruling and Eligibility Opinion were interlocutory orders that did not finally determine any creditors' rights.

Denial of Debtor's Motion to Approve Agreement Terminating Swap Contracts

On January 17, 2014, the Bankruptcy Court entered an order denying the City's request to assume and perform under a Forbearance and Optional Termination Agreement (the "Forbearance Agreement"), dated July 15, 2013, which the City, the City's Emergency Manager, and the Service Corporations entered into with UBS AG and Merrill Lynch Capital Services, Inc. (collectively, the "Swap Counterparties"). According to the City's Bankruptcy Court filings, the Forbearance Agreement was negotiated for the purpose of enabling the Service Corporations (and indirectly, the City) to exit certain swap contracts that the Service Corporations had entered into simultaneously with the issuance of the Certificates to protect (or hedge) against the risk of rising interest rates on the floating rate Certificates (i.e., Series 2006-B Certificates). The Forbearance Agreement, as amended most recently on December 24, 2013, proposed to pay the Swap Counterparties \$165 million as an "Optional Termination Payment," together with breakage costs of up to \$4.2 million. The City further indicated that the Forbearance Agreement would allow the City to access certain casino tax revenues and developer payments that, pursuant to a 2009 restructuring of the swap transactions, were pledged as collateral for the payments owed to the Swap Counterparties. The City represented that (1) if the swap contracts remain in place, the City would owe approximately \$45 million each year for the next ten years under the swap contracts (based on current interest rates), and (2) the proposed \$165 million Optional Termination Payment represented approximately 62% of the mark-to-

market value of the swap transactions as of December 10, 2013.

In ruling against the City's request to approve the settlement, the Bankruptcy Court found that the \$165 million to be paid to the Swap Counterparties fell below the lowest point in the range of reasonableness used as the standard to evaluate the City's business judgment.

Bankruptcy Court's Ruling on Debtor's Request to Incur Post-Petition Indebtedness

By motion dated November 5, 2013, as subsequently amended on December 16, 2013 and December 31, 2016, the Debtor sought authorization from the Bankruptcy Court to borrow, on a secured basis, approximately \$285 million through the issuance of City of Detroit, Michigan Financial Recovery Bonds Series 2014A and Series 2014B. The Series 2014A Bonds, in the approximate amount of \$165 million, were to be used to make the \$165 million Optional Termination Payment to the Swap Counterparties (the "Swap Termination Post-Petition Financing"). The Series 2014B Bonds, in the approximate amount of \$120 million, were to be used to fund certain capital improvement projects (the "Quality of Life Post-Petition Financing"). On January 16, 2014, the Bankruptcy Court denied the Debtor's request for the Swap Termination Post-Petition Financing, but granted, with certain conditions, the Debtor's request for the Quality of Life Post-Petition Financing. Syncora has appealed the Bankruptcy Court's decision approving the Quality of Life Post-Petition Financing.

Debtor's Adversary Proceeding Against the Service Corporations and the Funding Trust

On January 31, 2014, the Debtor filed an adversary complaint (the "Complaint") against the Service Corporations, the Funding Trust and the Detroit Retirement Systems Funding Trust 2005. Among other things the Complaint alleges that "the Service Corporations are shams" and that the "COPs transactions were nothing more than borrowings by the City of Detroit thinly disguised as a back-to-back series of contract payments." The Complaint seeks (1) a declaratory judgment that the Service Contracts are illegal, unenforceable and void *ab initio* because they effectuated the incurrence of further indebtedness by the Debtor in violation of the debt ceiling established by Michigan's Home Rule City Act and without the authorization required by the Revised Municipal Finance Act or any other state law, (2) a declaratory judgment that any claims based on the Debtor's obligations to make Service Payments under the Service Contracts should be disallowed pursuant to 11 U.S.C. § 502(b)(1), and (3) preliminary, temporary and permanent orders enjoining the defendants from taking any actions to enforce or pursue any terms, claims, rights or other obligations under the Service Contracts relating to COPs transactions. The adversary proceeding number is 14-4112. A copy of the Complaint can be obtained by contacting the Trustee's counsel.

The Trustee and its counsel are reviewing and analyzing the Complaint and assessing the Funding Trust's options with respect thereto.

Regarding Proofs of Claim

On November 21, 2013, the Bankruptcy Court entered an order (the "Bar Date Order") approving the Debtor's motion to establish a bar date for filing proofs of claim. Pursuant to the

Bar Date Order, the deadline for filing proofs of claim against the Debtor on account of any debt arising prior to the commencement of the Chapter 9 Case is **February 21, 2014 at 4:00 p.m. EST.**

On behalf of itself, the Holders, and the Trustee, the Contract Administrator will timely submit proofs of claim against the Debtor in the total amount of the Funding Trust Receivables due and payable at the time of the bankruptcy filing, plus the fees, costs and expenses of the Contract Administrator and the Trustee. Consequently, it is unnecessary for individual Holders to file proofs of claim with respect to the Funding Trust Receivables.

Retention of Counsel

WTC in its capacities as Trustee and Contract Administrator has retained the law firm of Drinker Biddle & Reath LLP to represent it in connection with the Certificates and certain Events of Default.

Reservation of Rights

WTC in both its capacities as Contract Administrator and Trustee expressly reserves and preserves all rights, powers, and remedies in respect of each of the Transaction Documents, including without limitation its right to recover fees and costs (including, without limitation, fees and costs incurred or to be incurred by WTC in performing its duties as Contract Administrator and as Trustee, indemnities owing or to become owing to WTC, compensation for Contract Administrator and Trustee time spent and reimbursement for fees and costs of counsel and other agents WTC employs in performing its duties or to pursue remedies) to the extent permitted under the Transaction Documents or otherwise at law, and its right, prior to exercising any rights or powers in connection with the Transaction Documents at the request or direction of any Holder, to receive security or indemnity satisfactory to it against all costs, expenses and liabilities that might be incurred in compliance therewith. No delay or forbearance by the Contract Administrator to exercise any right or remedy accruing upon the occurrence of a default, or otherwise under the terms of the Transaction Documents, other documentation relating thereto or under applicable law, shall impair any such right or remedy or constitute a waiver thereof or acquiescence therein.

Future Events

The Trustee will periodically communicate with all Holders of the Certificates through written notice of material events of a public nature of which the Trustee has knowledge.

Communications with Trustee and its Counsel

If you have any questions concerning this notice, inquiries may be directed to Jay Smith at Wilmington Trust Company, National Association at (410) 545-2193 or jhsmith@wilmingtontrust.com or to Kristin Going at Drinker Biddle & Reath LLP at (202) 230-5177 or Kristin.Going@dbr.com or to Heath D. Rosenblat at Drinker Biddle & Reath LLP at (212) 248-3248 or Heath.Rosenblat@dbr.com. The Trustee may

conclude, however, that a specific response to particular inquiries from individual Holders is not consistent with equal and full dissemination of information to all Holders. Holders should not rely on the Trustee as their sole source of information. Holders should consult with their own professionals on matters related to the Certificates. The Trustee makes no recommendations and gives no investment advice.

Wilmington Trust Company, as Successor
Trustee

Dated: February 10, 2014

* The Trustee makes no representation as to the accuracy of the CUSIP number provided and used herein.

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