



**NOTICE OF APPROVAL OF FOURTH AMENDED DISCLOSURE STATEMENT FOR  
FOURTH AMENDED PLAN AND OTHER CHAPTER 9 CASE DEVELOPMENTS  
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, National Association ("WNTA") 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, WTNA 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"<sup>1</sup>) by and among the Contract Administrator, the Detroit Retirement Systems Funding Trust 2006 (the "Funding Trust"), the GRS Corporation, and the

<sup>1</sup> The Trust Agreement, the Contract Administration Agreement and the separate Service Contracts, each dated June 7, 2006, between the City of Detroit, Michigan (the "City") and the GRS Corporation and the PFRS Corporation (collectively, the "Service Contracts") are sometimes referred to herein collectively as the "Transaction Documents." Unless otherwise noted, capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Transaction Documents.

PFRS Corporation.

### **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.kcellc.net/Detroit>.

### **Ruling on Eligibility for Chapter 9**

As previously reported, 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 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 (the "Appeals Court"). By order dated February 21, 2014, the Appeals Court granted the request for direct appeal of the Eligibility Opinion, but declined to expedite that direct appeal at this time. The Appeals Court has set a briefing schedule for the appeals that requires briefing to be completed by June 13, 2014.

### **Filing of Amended Plan of Debt Adjustment and Related Amended Disclosure Statement**

On May 5, 2014, the Debtor proposed and filed its "Fourth Amended Plan for the Adjustment of Debts of the City of Detroit" (as the same may be further amended from time-to-time, the "Plan") and the "Fourth Amended Disclosure Statement with Respect to Fourth Amended Plan for the Adjustment of Debts of the City of Detroit" (as the same may be amended from time-to-time, the "Disclosure Statement"). The Plan provides for the treatment of claims of the City's creditors, including the Holders. Copies of the Plan and Disclosure Statement are available through the special link on the website of the Trustee's counsel: <http://www.drinkerbiddle.com/services/industries/Bondholders/city-of-detroit-cops-holders>. The Disclosure Statement contains, among other things, descriptions and summaries of the provisions of the Plan.

The Trustee hereby notifies Holders that the Bankruptcy Court entered an order approving the Disclosure Statement as containing adequate information on May 5, 2014, which allows the Plan to be sent to creditors for a vote.

## **Description of the Plan**

The following summary of the Plan and the treatment of the Holders' claims are provided as a convenience by the Trustee. **Each Holder should carefully review the Plan, the Disclosure Statement, and exhibits.** Terms not otherwise defined in this section shall have the meaning ascribed to them in the Plan.

According to the Disclosure Statement, the Plan provides for the resolution of a variety of complex financial and operational issues faced by the City. The Plan includes a number of settlements that the City believes will inure to the benefit of the City's creditors and residents. Among these settlements, more fully described in the Disclosure Statement, are:

- Settlement with the Swap Counterparties (described in a separate section of this notice);
- Settlement with holders of Unlimited Tax General Obligation Bonds;
- State Contribution Agreement and DIA Settlement, providing for additional funding for pension claims;
- Global Settlement with the Retiree Committee resolving all issues affecting pensions in the Chapter 9 Case, including OPEB Claims;
- Settlements with the retiree associations (namely, the Detroit Retired City Employees Association and the Retired Detroit Police and Fire Fighters Association); and
- Settlement with certain public safety unions.

The Plan provides a recovery to all classes of Claims except for holders of Subordinated Claims. The Plan also allows for the investment in the City of approximately \$1.5 billion over ten years.

### *Treatment of Holders' Claims Under the Plan*

Under the Plan, the Holders' claims on account of the Certificates are placed in Class 9—COP Claims. The COP Claims are Disputed Claims and are not Allowed by the Plan, and the Debtor reserves the right to object to, avoid or subordinate the COP Claims on any and all available grounds, including any grounds asserted in the Adversary Proceeding (defined herein), and to assign the right to object to, avoid or subordinate such claims to the Creditor Representative appointed pursuant to the Plan.

Solely for the purpose of facilitating distributions under the Plan, on and as of the Effective Date, those portions of COP Claims that relate to and are determined according to Scheduled Payments (as defined in the Transaction Documents) shall be deemed assigned to the beneficial holders of the Certificates on a *pro rata* basis. Each beneficial holder of COPs may elect to participate in the Plan COP Settlement with respect to some or all of the COPs Claims deemed to be assigned to such holder.

Holders of COP Claims in Class 9 are impaired and are entitled to vote on the Plan. Under the Plan, beneficial holders of COPs may elect to participate in the Plan COP Settlement by returning a ballot accepting the Plan. Each Holder who agrees to settle its COP Claims pursuant to the Plan COP Settlement shall be deemed to have an Allowed Claim under the Plan

equal to 40% of the aggregate unpaid principal amount of such Holder's Certificates, and such Settling COP Claimant shall receive on or as soon as reasonably practicable after the Effective Date, an Unsecured Pro Rata Share of \$650 million in new general unsecured notes of the City paying interest semi-annually at a rate of 4.0% per year for the first twenty years and 6.0% per year for the last ten years, with principal repayment beginning in the eleventh year after issuance and maturing in 30 years ("New B Notes").

Pursuant to the Plan, the claims of Holders electing to not participate in the Plan COP Settlement will receive the following treatment. Under the Plan, a Disputed COP Claims Reserve (the "Reserve") will be established that will contain no less than an Unsecured Pro Rata Share of New B Notes calculated as if the Disputed COP Claims were Allowed in an amount equal to the aggregate principal amount as of the Petition Date of COPs not participating in the Plan COP Settlement, plus any distributions made on account of New B Notes held in the Reserve. To the extent that Disputed COP Claims become Allowed Claims, holders of such Allowed Claims will receive a distribution from the Reserve equal to the portion of New B Notes initially allocated to such Disputed COP Claims that have become Allowed Claims, plus any distributions received by the Reserve on account of such portion of New B Notes. After all objections to the Disputed COP Claims have been resolved and after all distributions on account of Allowed COP Claims have been made, any and all New B Notes and distributions thereon remaining in the Reserve shall be distributed as follows: (a) first, to the City to pay costs, fees and expenses incurred in connection with the Adversary Proceeding (defined herein) after the Effective Date of the Plan, (b) second, to the two voluntary employees' beneficiary associations ("VEBAs") established to provide retiree health benefits to holders of Allowed OPEB Claims, with the VEBAs receiving 65% of any remaining New B Notes and distributions thereon held in the Reserve, and (c) third, to the City any remaining New B Notes and any distributions thereon, provided that, in its sole discretion, the City may choose to distribute such remaining property among holders of Allowed Claims in Classes 7, 13 and/or 14.

The City estimates a potential recovery of 0-10% to holders of Allowed Class 9 – COP Claims.

On May 12, 2014, the Contract Administrator filed its *Joinder to Objection of Certain COPs Holders and Limited Objection of Wilmington Trust, National Association, as Successor Contract Administrator, to the Fourth Amended Plan for the Adjustment of Debts of the City of Detroit* [Docket No. 4656].

### **Voting on the Plan**

Solicitation packages containing, among other things, copies of the Plan and Disclosure Statement and a ballot, were to be mailed no later than May 12, 2014, to Holders as of the voting record date (April 14, 2014) or their respective nominees. Pursuant to the Plan solicitation and tabulation procedures approved by the Bankruptcy Court on March 11, 2014 (the "Solicitation Procedures Order"), holders of Class 9 COP Claims shall be permitted to split their respective votes, accepting the Plan with respect to certain of their Class 9 COP Claims while rejecting the Plan with respect to others. The Solicitation Procedures Order also provides that each Insurer will be allowed to vote the full amount of the principal of, interest on, and any other amount

payable pursuant to the Certificates it insures. **The deadline for submitting executed ballots is July 11, 2014, at 5:00 p.m., Eastern Time.**

Pursuant to the Plan, the Certificates of Holders electing to participate in the Plan COP Settlement will be “tendered” by the nominee for such Certificates into an election account established at The Depository Trust Company (“DTC”). Certificates once tendered may not be withdrawn, and further trading in such Certificates will not be permitted. Certificates of Holders not electing to participate in the Plan COP Settlement will not be placed in an election account and such Certificates will not be restricted from trading. If the Plan is not confirmed, DTC will, in accordance with its customary practices and procedures, return all Certificates held in the election account to the appropriate nominees for credit to Holders’ accounts.

### **Confirmation Hearing**

A hearing on confirmation of the Plan has been set to commence on July 24, 2014, at 9:00 a.m., Eastern Time, before the Honorable Steven W. Rhodes, United States Bankruptcy Judge, United States Bankruptcy Court for the Eastern District of Michigan, Court Room 100, Theodore Levin United States Courthouse, 231 West Lafayette Boulevard, Detroit, Michigan 48226. The Bankruptcy Court has set July 25, 28-31, August 1, August 4-8, and August 11-15, 2014, as additional dates for the hearing on confirmation of the Plan, as necessary.

Pursuant to Bankruptcy Court order, May 12, 2014 was the deadline for parties other than individual bondholders and individual retirees of the City to file objections to the Plan, and July 11, 2014 is the deadline for individual bondholders and individual retirees to file objections to the Plan.

### **Voting Dispute Resolution Procedures**

Pursuant to the Solicitation Procedures Order, any party that is not identified in the Plan or in the Solicitation Procedures Order as being a party entitled to vote on the Plan and believes that it has a right to vote on the Plan (a “Claiming Party”), must file with the Bankruptcy Court and serve on or before May 26, 2014, a “Notice of Asserted Right to Vote a Claim” and a brief in support of the rights asserted therein. Any Holder of Certificates affected by such Notice of Asserted Right to Vote a Claim (an “Affected Holder”) and the Trustee are permitted to file and serve a brief in response to any such Notice of Asserted Right to Vote a Claim by no later than June 24, 2014. A Claiming Party shall be permitted to file and serve a reply brief in support of its Notice of Asserted Right to Vote a Claim by July 2, 2014. The Bankruptcy Court will hear and determine any disputes in connection with a Notice of Asserted Right to Vote a Claim at a hearing to be held on July 14, 2014, at 10:00 a.m. Eastern Time. If no objections to a Notice of Asserted Right to Vote a Claim relating to a Class 9 COP Claim are interposed by an Affected Holder or the Trustee, then the Claiming Party will be granted the relief requested in its Notice of Asserted Right to Vote a Claim.

### **Appointment of Feasibility Expert by the Bankruptcy Court**

After soliciting applications on its own initiative and conducting interviews in open court (with the assistance of one City representative and two creditor representatives), the Bankruptcy Court, on April 22, 2014, appointed Martha E. M. Kopacz of Phoenix Management Services as the Bankruptcy Court's expert witness to investigate and reach a conclusion regarding the feasibility of the Plan and whether the assumptions underlying the City's cash flow projections and forecasts regarding its revenues, expenses and plan payments are reasonable. On the same day the Court also appointed Richard Ravitch as the Bankruptcy Court's consultant on issues of municipal finance and viability.

### **Approval of Debtor's Settlement and Plan Support Agreement with Swap Counterparties**

On April 15, 2014, the Bankruptcy Court entered an order approving the City's settlement and plan support agreement (the "Settlement and Plan Support Agreement") with UBS AG and Merrill Lynch Capital Services, Inc. (collectively, the "Swap Counterparties"). According to the City's motion papers filed with the Bankruptcy Court, the Settlement and Plan Support Agreement was negotiated for the purpose of reducing the City's potential liability under 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).

As described more fully therein, the Settlement and Plan Support Agreement as approved by the Bankruptcy Court provides, among other things, that the City will make quarterly payments to the Swap Counterparties totaling \$85 million in full satisfaction of the claims between the City and the Swap Counterparties, and, additionally, the Swap Counterparties have agreed to vote their impaired secured claims in favor of the Plan.

In approving the Settlement and Plan Support Agreement, the Bankruptcy Court found that, unlike an earlier proposed settlement agreement with the Swap Counterparties, the Settlement and Plan Support Agreement was fair and reasonable. Significantly, the Service Corporations are not parties to the Settlement and Plan Support Agreement but are nevertheless barred by the agreement from commencing litigation or taking other actions that they would be prohibited from undertaking if they were otherwise parties to the Settlement and Plan Support Agreement. Appeals of the order approving the Settlement and Plan Support Agreement have been taken by Syncora Guarantee Inc. f/k/a XL Capital Assurance Inc. ("Syncora"), the issuer of an insurance policy guaranteeing payment of the principal and interest of a portion of the Certificates, and certain COPs holders.

### **Bankruptcy Court's Approval of Revised Quality of Life Post-Petition Financing**

As previously reported, on January 16, 2014, the Bankruptcy Court granted, subject to certain conditions, the City's request to borrow, on a secured basis, approximately \$120 million through the issuance of City of Detroit, Michigan Financial Recovery Bonds Series 2014 (the "Series 2014 Bonds") to fund certain capital improvement projects (the "Quality of Life Post-Petition Financing"). After the January 16, 2014 ruling, the terms of the Quality of Life Post-

Petition Financing were renegotiated principally to provide for the pledge of different collateral (not subject to state law restrictions) to secure the Series 2014 Bonds. On March 6, 2014, the City presented to the Bankruptcy Court for its approval a proposed final order approving the Quality of Life Post-Petition Financing, and on April 2, 2014, the Bankruptcy Court entered an order approving and authorizing the City's entry into the Quality of Life Post-Petition Financing. Appeals of the April 2, 2014 order approving the Quality of Life Post-Petition Financing have been taken by Syncora and certain COPs holders.

### **Status of City's Adversary Proceeding Against the Service Corporations and the Funding Trust**

As previously reported, on January 31, 2014, the City commenced an adversary proceeding (the "Adversary Proceeding") by filing a complaint (the "Complaint") against the Service Corporations, the Funding Trust and the Detroit Retirement Systems Funding Trust 2005 (together with the Funding Trust, the "Funding Trusts"). The Adversary Proceeding case number is 14-4112.

#### *Funding Trusts' Answer, Affirmative Defenses and Counterclaims*

On March 17, 2014, on behalf of the Funding Trusts, the Trustee filed an answer to the Complaint which included nineteen affirmative defenses (the "Funding Trusts' Answer and Affirmative Defenses"). The Trustee also filed fourteen (14) counterclaims against the City (the "Funding Trusts' Counterclaims").

#### *Motions to Intervene by FGIC and Certain Holders*

On March 17, 2014, Financial Guaranty Insurance Company ("FGIC"), the issuer of certain insurance policies guaranteeing payment of the principal and interest of a portion of the Certificates, COPs Holders (the "Intervenors") filed motions requesting leave of the Bankruptcy Court to intervene in the Adversary Proceeding (the "Motions to Intervene"). Both FGIC and the COPs Holders attached to their respective Motions to Intervene proposed answers and affirmative defenses to the claims asserted in the Complaint, proposed counterclaims against the City and proposed third-party causes of action against the GRS and the PFRS. On April 3, 2014, the City filed a consolidated response to the Motions to Intervene (the "City's Response"). On April 17, 2014, FGIC filed a reply in further support of its Motion to Intervene, and on April 18, 2014, the COPs Holders filed a reply in further support of their Motion to Intervene. The hearing on the Motions to Intervene and the City's Response was held on May 15, 2014; the Bankruptcy Court took the matter under advisement and will issue an opinion.

#### *City's Motion to Dismiss Funding Trusts' Counterclaims*

On April 10, 2014, the City filed a motion to dismiss (the "Motion to Dismiss Counterclaims") all but one of the Funding Trusts' Counterclaims, with the lone surviving claim being the request for a declaratory judgment that the Service Contracts are valid and enforceable, which the City asserts is the mirror image of the City's own claim for declaratory judgment. By order entered April 25, 2014, the Bankruptcy Court granted the Funding Trusts' *ex parte* motion

to stay the briefing on the Motion to Dismiss Counterclaims until the Bankruptcy Court rules on the Motions to Intervene.

### *Service Corporations' Motion to Dismiss*

Because the Service Corporations failed to answer or otherwise plead with respect to the Complaint in the time set forth in the summons, on March 12, 2014, the Clerk of the Bankruptcy Court entered default against the Service Corporations (the "Clerk's Entry of Default"). On March 26, 2014, however, the Bankruptcy Court approved a stipulation by and between the City and the Service Corporations vacating the Clerk's Entry of Default and extending the time for the Service Corporations to answer or otherwise plead to April 10, 2014. On April 10, 2014, the Service Corporations filed their motion to dismiss the Adversary Complaint against them (the "Service Corporations' Motion to Dismiss"). On April 28, 2014, the City filed its response to the Service Corporations' Motion to Dismiss (the "City's Response to Service Corporations' Motion to Dismiss"), and on May 9, 2014, the Service Corporations filed a reply in further support of the Service Corporations' Motion to Dismiss.

Copies of the pleadings filed in the Adversary Proceeding can be obtained through the special link on the website of the Trustee's counsel:  
<http://www.drinkerbiddle.com/services/industries/Bondholders/city-of-detroit-cops-holders>.

### **Proofs of Claim**

On November 21, 2013, the Bankruptcy Court entered an order (the "Bar Date Order") approving the City'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 City on account of any debt arising prior to the commencement of the Chapter 9 Case was February 21, 2014 at 4:00 p.m. EST.

As previously reported, on behalf of itself, the Holders, and the Trustee, the Contract Administrator timely submitted proofs of claim against the City 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. Also, the Trustee filed, in its own name, a proof of claim in an unliquidated amount asserting claims and contingent claims arising from or relating to the Complaint, plus the fees, costs and expenses of the Trustee.

### **Reservation of Rights**

WTNA 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 WTNA in performing its duties as Contract Administrator and as Trustee, indemnities owing or to become owing to WTNA, compensation for Contract Administrator and Trustee time spent and reimbursement for fees and costs of counsel and other agents WTNA 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.

### **Website for Accessing Certain Publicly Available Information**

Certain publicly available information which may be of interest to Holders, as well as prior notices given to Holders by the Trustee, is available to Holders through a special link on the website of the Trustee's counsel. Holders wishing to access this information should go to the following web page: <http://www.drinkerbiddle.com/services/industries/Bondholders/city-of-detroit-cops-holders>.

### **Communications with Trustee and its Counsel**

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

Dated: May 22, 2014

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

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