

NOTICE TO HOLDERS OF BONDS INSURED BY
FINANCIAL GUARANTY INSURANCE COMPANY
City of Detroit, Michigan Detroit Retirement Systems Certificates of Participation,
Series 2006-B

RATE	DATE	CUSIP
VAR	6/15/2029	251228AB8
VAR	6/15/2034	251228AC6

TO: Beneficial Owners (“Holders”) of those certain bonds, notes, certificates, debentures or other securities (the “Insured Bonds”) insured by Financial Guaranty Insurance Company (“FGIC”)

THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE BENEFICIAL OWNERS OF THE ABOVE REFERENCED INSURED BONDS. IF APPLICABLE, ALL DEPOSITORIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE RETRANSMITTAL OF THIS NOTICE TO SUCH BENEFICIAL OWNERS IMMEDIATELY. YOUR FAILURE TO ACT PROMPTLY IN COMPLIANCE WITH THIS PARAGRAPH MAY IMPAIR THE ABILITY OF THE BENEFICIAL OWNERS ON WHOSE BEHALF YOU ACT TO CONSIDER THE MATTERS DESCRIBED IN THIS NOTICE IN A TIMELY FASHION.

FGIC insures one or more classes of bonds, notes, certificates, debentures or other securities issued pursuant to the terms of certain indentures and related agreements (collectively referred to herein as the “Transaction Documents”), pursuant to which U.S. Bank National Association currently acts as trustee or indenture trustee (in such capacity, the “Trustee”). This notice is intended for those persons or entities that hold Insured Bond(s). This notice is being issued by the Trustee, solely in its capacity as Trustee.

Background

As set forth in prior notices, on June 11, 2012, the Superintendent of Financial Services of the State of New York (the “Superintendent”) commenced a special proceeding (the “Rehabilitation Proceeding”) captioned In the Matter of the Rehabilitation of Financial Guaranty Insurance Company, Index No. 401265/2012 by filing a Verified Petition (the “Rehabilitation Petition”) with the New York Supreme Court (the “Rehabilitation Court”). On June 28, 2012, the Rehabilitation Court entered an Order of Rehabilitation (the “Rehabilitation Order”), (i) appointing the Superintendent and his successors in office as rehabilitator (the “Rehabilitator”) of FGIC; (ii) directing the Rehabilitator to take possession of the property and assets of FGIC and to conduct the business thereof; (iii) directing the Rehabilitator to take such steps towards the removal of the causes and conditions which have made the Rehabilitation Proceeding necessary; and (iv) granting certain other relief intended to preserve FGIC’s rights under FGIC

policies and related Transaction Documents notwithstanding the existence of certain Rehabilitation Circumstances (defined to include the suspension of policy payments, the financial condition of FGIC and the Rehabilitation Proceeding). Since November 2009, FGIC has not paid any claims made by policyholders, including claims made, if any, by the Trustee on behalf of the Holders of the Insured Bonds.

Rehabilitation Plan and the Trustee's Objections

Also as set forth in a prior notice, the Rehabilitator filed on September 27, 2012, a proposed Plan of Rehabilitation for Financial Guaranty Insurance Company (as amended, the "Plan") and certain related documents, including a Novation Agreement, dated as of September 14, 2012 (the "Novation Agreement"), between FGIC and National Public Finance Guarantee Corporation (formally named MBIA Insurance Corp. of Illinois) ("National"). On September 28, 2012, the Rehabilitation Court signed an Order to Show Cause fixing a deadline of November 19, 2012 for interested parties to file any objections to the proposed Plan or the proposed Novation Agreement.¹

Prior to the expiration of the objection deadline, the Trustee filed an objection to the Plan, pursuant to which the Trustee objected to, among other things, provisions in the Plan that (i) relate to FGIC's exercise of control rights under the FGIC policies and related Transaction Documents, (ii) would abrogate or otherwise impair the Trustee's statutory, common law, and contractual rights of setoff and recoupment, (iii) would impair the Trustee's ability to obtain indemnification from FGIC under certain circumstances, and (iv) would require the non-prevailing party to pay the prevailing party's legal fees and expenses in litigation relating to policy claim disputes. Certain other parties, including other trustees and indenture trustees of insured bonds and other securities (the "Other Trustees"), as well as individual holders, also filed objections to the Plan, many of which raised the same issues that were raised by the Trustee.

On December 12, 2012, the Rehabilitator filed the First Amended Plan of Rehabilitation for Financial Guaranty Insurance Company (the "First Amended Plan"), which contained Plan amendments that addressed some of the issues raised by the objecting parties.

Plan Revisions and Withdrawal of Trustee's Objections

The Rehabilitation Court continued the hearing on the Plan (the "Plan Approval Hearing") from time to time to give the parties an opportunity to resolve objections thereto. As a result of negotiations with the Trustee and certain of the other objecting parties, including the Other Trustees, the Rehabilitator has agreed to certain revisions to the First Amended Plan (the "Plan Revisions"), as well as amendments to certain of the related Plan documents, including the proposed Plan Approval Order. On February 19, 2013, the Rehabilitation Court signed a

¹ If signed by the Rehabilitation Court, the Plan Approval Order (as defined below) would approve the Novation Agreement. Under the Novation Agreement, National has agreed to assume FGIC's obligations with respect to the Covered Policies (as defined in the Novation Agreement), which policies were reinsured by National's predecessor-in-interest, MBIA Insurance Corporation. A list of the Covered Policies is attached to the Novation Agreement as Schedule 1. More information regarding National can be found on their website, located at <http://www.nationalpfg.com>.

scheduling order (the “Scheduling Order”) that, among other things, adjourned the Plan Approval Hearing to April 30, 2013, and established a deadline of April 5, 2013, for parties to object to the Plan Revisions.

The First Amended Plan and other important court documents, including the Scheduling Order, the Plan Approval Order, the Novation Agreement, and the objections filed by the Trustee and other parties, can be found on the website established by FGIC in connection with the Rehabilitation Proceeding, located at <http://www.fgicrehabilitation.com>. In addition, as set forth in the Scheduling Order, the Rehabilitator must post the Plan Revisions, in the form of a blackline of the First Amended Plan, to the website within 5 business days after entry of that order.

The Plan Revisions reflect a negotiated resolution of a substantial number of the issues raised by the Trustee and the Other Trustees in their objections, including issues related to control rights, fee shifting, setoff rights, and indemnification. Accordingly, the Trustee intends to withdraw its objections to the Plan and the First Amended Plan on or before April 12, 2013. The Other Trustees have also indicated their intentions to withdraw their objections. Upon withdrawal of the objections of the Trustee and the Other Trustees, the Rehabilitator will file and seek approval at the Plan Approval Hearing of an amended version of the Plan incorporating the Plan Revisions.

As set forth in the Scheduling Order, interested parties have until April 5, 2013, at 3:00 p.m. (EST), to file objections to the Plan Revisions. As of the date of this notice, certain of the individual holders that filed objections have not resolved or indicated an intention to withdraw their objections.

In addition to amending the Plan, the Rehabilitator has agreed to amend the Plan Approval Order by, among other things, including findings of the Rehabilitation Court (i) that the Trustee’s withdrawal of its objections to the Plan shall not be construed as consent by the Trustee to the Plan or any modification to the Transaction Documents effected by the provisions of the Plan and (ii) that the Trustee has acted reasonably and in good faith in making and withdrawing its objections and that the Trustee has not acted negligently in performing its duties in respect of the objections.

As set forth in a prior notice, under the Plan, FGIC policies would be deemed amended to include certain new terms and to revise or delete certain existing terms. Among other things, permitted claims under FGIC policies and agreements would be satisfied through cash payment of a percentage of the total amount claimed (according to the Cash Payment Percentage then in effect under the Plan) and accrual of a deferred payment obligation. **The Plan’s terms, if approved by the Rehabilitation Court, would likely result in lesser cash payments to Holders in respect of Policy claims than is provided for by the original terms of the applicable FGIC policies. THE PLAN CONTAINS OTHER TERMS THAT COULD HAVE A MATERIAL IMPACT ON HOLDERS.**

General Information

If you have any question with respect to this notice, you may direct such questions, in writing, to the attention of Irina Palchuk, by facsimile at (651) 466-7401, or by mail addressed to U.S. Bank National Association, Corporate Trust Services, 60 Livingston Avenue St. Paul, MN 55107-2292. Holders with specific questions may contact Bondholder Services either at (800) 934-6802, option #4; or at their website, located at www.usbank.com/corp_trust/bondholder_contact.html.

The Trustee may conclude that a specific response to particular inquiries from an individual Holder is not consistent with equal and full dissemination of information to all Holders. Holders should not rely on the Trustee or its advisers as their sole source of information in respect to the information described herein. The foregoing is not intended and should not be construed as investment, accounting, financial, legal or tax advice by or on behalf of the Trustee, or its directors, officers, agents, attorneys or employees. Each of the Holders receiving this notice should seek the advice of their own advisers in respect of the matters set forth herein. The Trustee makes no recommendations and gives no investment, legal or tax advice to Holders. **EACH HOLDER IS STRONGLY ADVISED TO CONSULT WITH ITS OWN FINANCIAL, TAX AND/OR LEGAL ADVISORS REGARDING THESE MATTERS.**

The Trustee expressly reserves all rights, powers and remedies in respect of each of the Transaction Documents, including without limitation its right to recover its fees and costs (including, without limitation, fees and costs incurred or to be incurred by the Trustee in performing its duties, indemnities owing or to become owing to the Trustee, compensation for Trustee time spent and reimbursement for fees and costs of counsel and other agents it 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 which might be incurred in compliance therewith. No delay or forbearance by the Trustee 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. The reservation effected by the preceding sentences of this paragraph shall be deemed to be included in any other communication from the Trustee whether or not such reservation (or any similar reservation) is specifically included in such communication.

U.S. BANK NATIONAL ASSOCIATION
As Trustee

FEBRUARY 26, 2013

* Trustee is not responsible for selection or use of CUSIP. It is included solely for holder convenience.

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