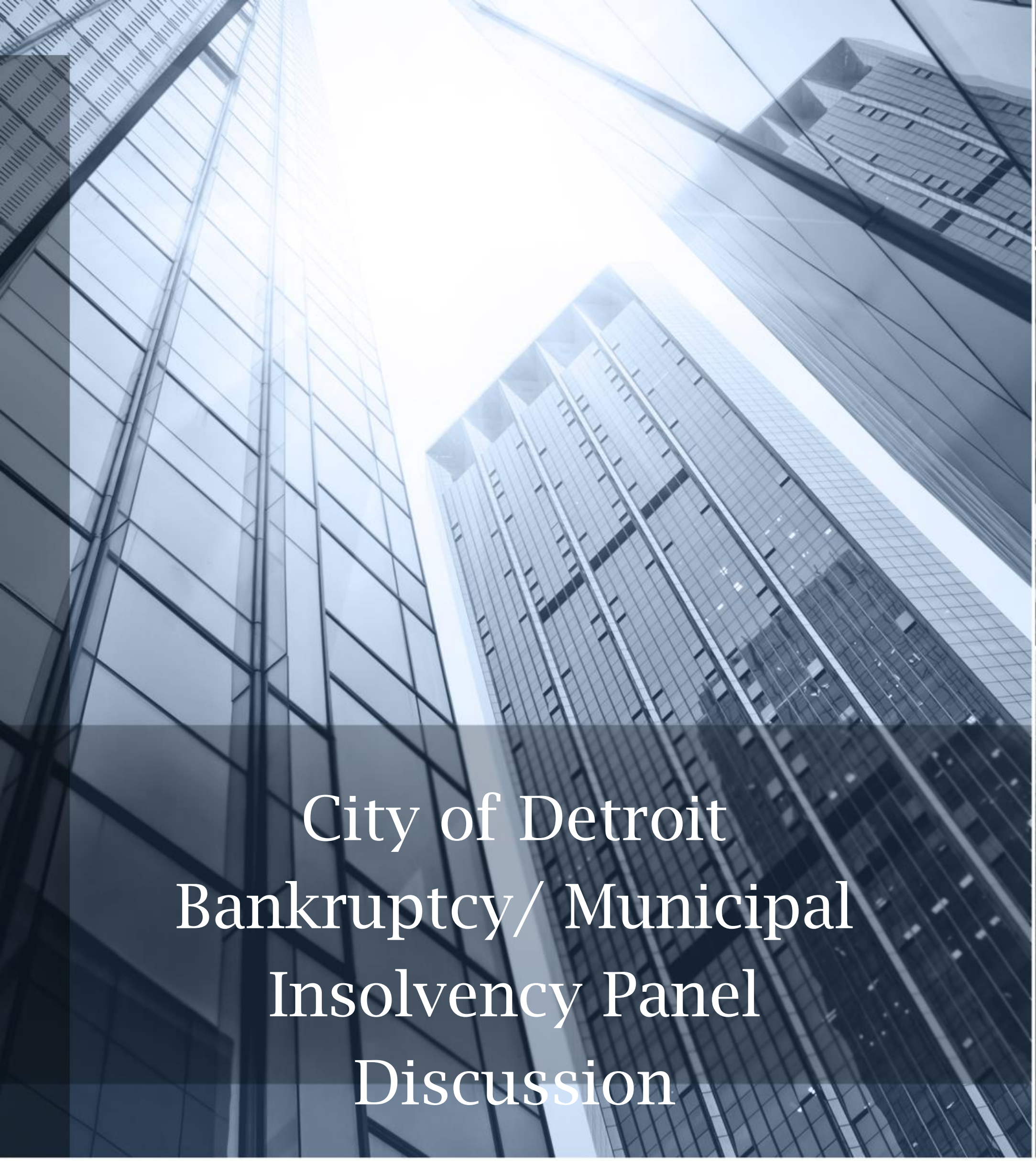

City of Detroit Bankruptcy/ Municipal Insolvency Panel Discussion

Beard Group Distressed Investing Conference

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Speaker Overviews

Speakers

Panelists

- ### John W. Hill – Chief Financial Officer, City of Detroit
  - John W. Hill serves as Chief Financial Officer for the City of Detroit. In addition to leading Detroit's Finance Department, John Hill also serves on Emergency Manager Kevyn Orr's restructuring team. He is a certified public accountant who specializes in municipal finance. Hill is the former CEO of the non-profit Federal City Council in Washington, D.C. While working in the nation's capital, he helped to restructure D.C.'s financial and operational management systems and improve the delivery of city services.
- ### James Doak – Managing Director, Miller Buckfire
  - James Doak is a Managing Director of Miller Buckfire. Mr. Doak's experience includes M&A, financing and restructuring transactions on behalf of the Mashantucket Pequot Tribal Nation, Broder Bros. Co., Magna Entertainment Corp., Standard Pacific Corp., Allied Holdings, Hines Horticulture, ITC^DeltaCom, Level 3 Communications, Kanebo Ltd., Burlington Industries, Horizon Natural Resources, CenterPoint Energy, ICG Communications, Gilat Satellite Networks, Viatel, BTI Telecom and Allied Riser Communications. Mr. Doak has also represented creditor constituents and buyer groups in various restructuring transactions, including Idearc, Wilton Brands Inc., YRC Worldwide, The Lenox Group and Genuity. Mr. Doak is a former member of the financial restructuring group of Dresdner Kleinwort Wasserstein, which he joined in 2000.
- ### Jamie Baird – Managing Director, Blackstone
  - Jamie Baird is a Managing Director in the Restructuring & Reorganization Group. Since joining Blackstone in 2002, Mr. Baird has advised companies such as American General Finance (AGF), American International Group (AIG), Bresler & Reiner, Ford, General Motors, Horsehead Industries, Houghton Mifflin Harcourt, International Lease Finance Corp (ILFC), Minneapolis Star Tribune, Mohegan Tribal Gaming Authority, Pacific Lumber Company, Sea Research Foundation (Mystic Aquarium), SemGroup, and Toshiba. Mr. Baird has assisted a number of these clients in managing their exposure to post-retirement employee benefits through the use of VEBA trusts.

Speakers

Panelists

- William A. Brandt, Jr. – President and Chief Executive Officer, Development Specialists, Inc. and Chair, Illinois Finance Authority
  - BILL BRANDT has been in the business of workout, turnaround and insolvency consulting for more than thirty years and is widely recognized as one of the foremost practitioners in the field. He is President and CEO of Development Specialists, Inc. ("DSI"), a firm specializing in the provision of management, consulting and turnaround assistance to troubled or reorganizing enterprises. Mr. Brandt and his firm continue to be involved with some of the more celebrated financial restructuring cases in the nation's history, including Mercury Finance Company, Southeast Banking Corporation, Malden Mills, the Keck, Mahin & Cate law firm, the Coudert Brothers law firm, the Ohio "Coin Fund" scandal, and the Bernie Ebbers Settlement Trust. The firm maintains offices in Chicago, New York, Philadelphia, Los Angeles, London, Miami, San Francisco, Cleveland, and Columbus.

Moderator

- Glenn Kushiner – Managing Director, Conway MacKenzie, Inc.
  - Glenn Kushiner specializes in crisis management and turnaround consulting for troubled businesses, with emphasis on firms in manufacturing, primarily automotive and commercial truck and trailer manufacturing. Mr. Kushiner also has experience in the municipality, temporary staffing, food processing and tool manufacturing industries. In the area of litigation support services, Mr. Kushiner has experience with business valuations and quantification of economic damages. He has also supported various due diligence and capital raising engagements. Mr. Kushiner has recently served as a Court-Appointed Receiver of a Plastic Injection Molding Company selling products in the automotive and medical supply industries, as well as Chief Restructuring Officer of an automotive supplier located in Michigan.

Summary of Detroit Bankruptcy

Economic Headwinds

Deteriorating Macroeconomic Conditions:

- During the past several decades, the City of Detroit (the "City") has experienced changes that have adversely affected the economic circumstances of the City and its residents.

Declining Population: The City's population has declined 63% since its postwar peak, including a 26% decline since 2000:

- June 1950: 1,849,600
- June 1990: 1,028,000
- June 2000: 951,270
- June 2010: 713,777
- December 2012: 684,799

High Unemployment: Despite some recent improvement, the City's unemployment rate has nearly tripled since 2000:

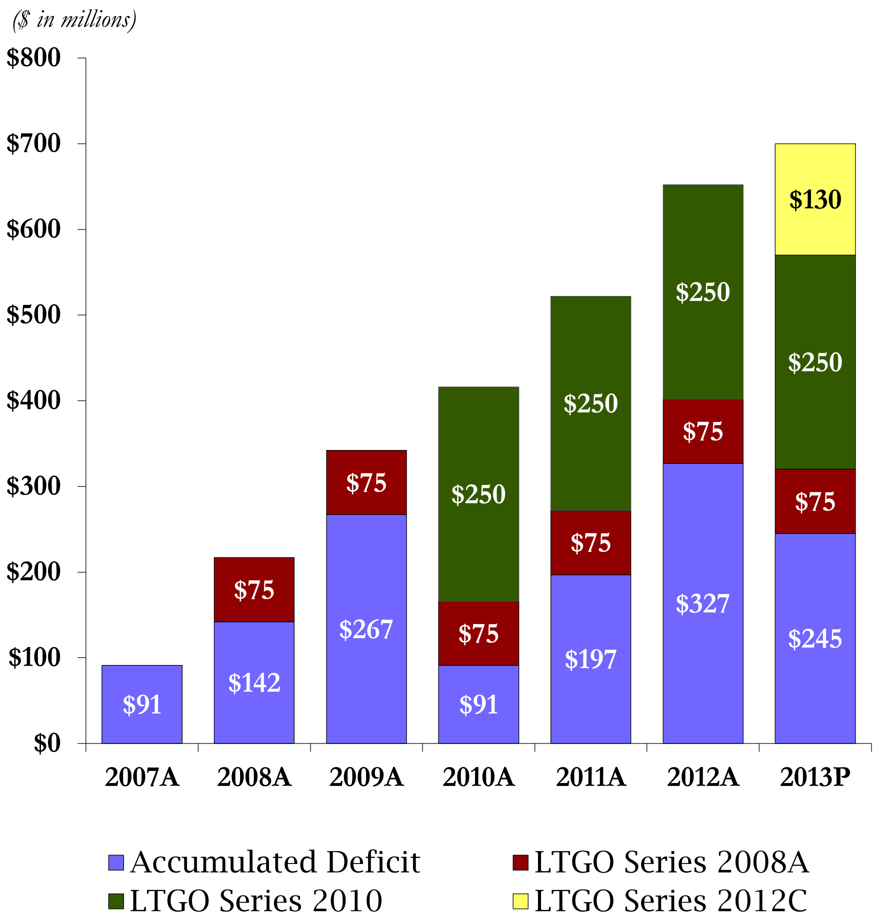
- June 2000: 6.3%
- June 2010: 23.4%
- June 2012: 18.3%

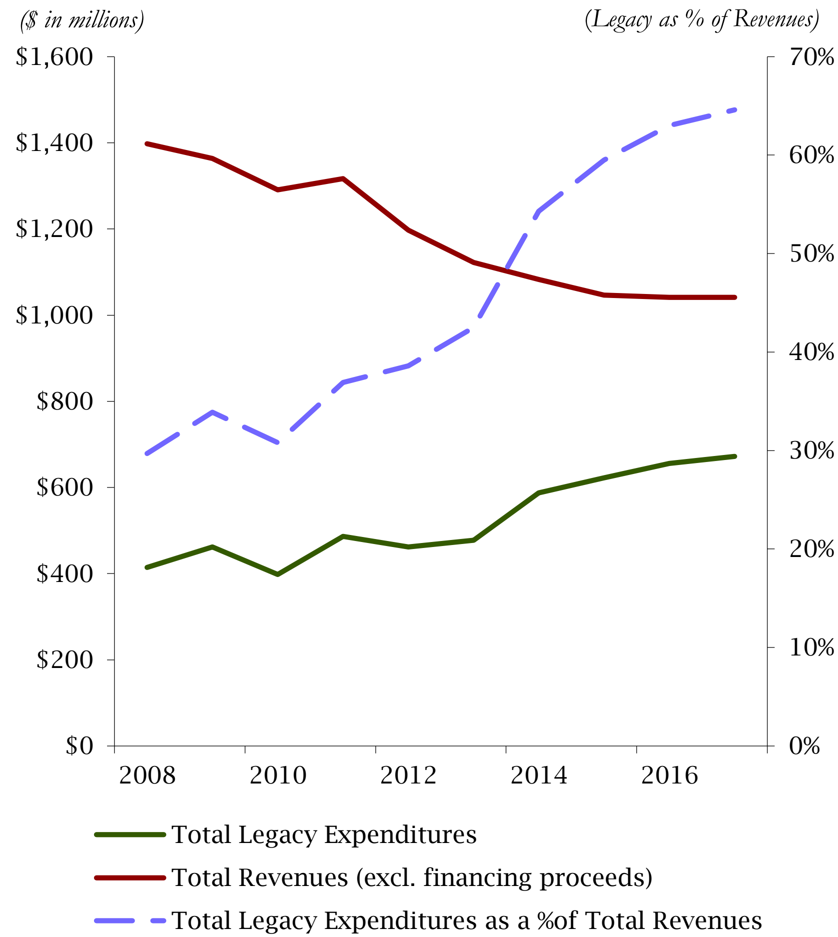
Number of Detroit Residents Employed:

	2000	2010	2012
Labor Force	381,498	361,538	343,856
Employment	353,813	278,063	279,960
Unemployment	27,685	83,475	63,896
Unemployment Rate	7.3%	23.1%	18.6%

Detroit's Deteriorating Financial Condition(1)

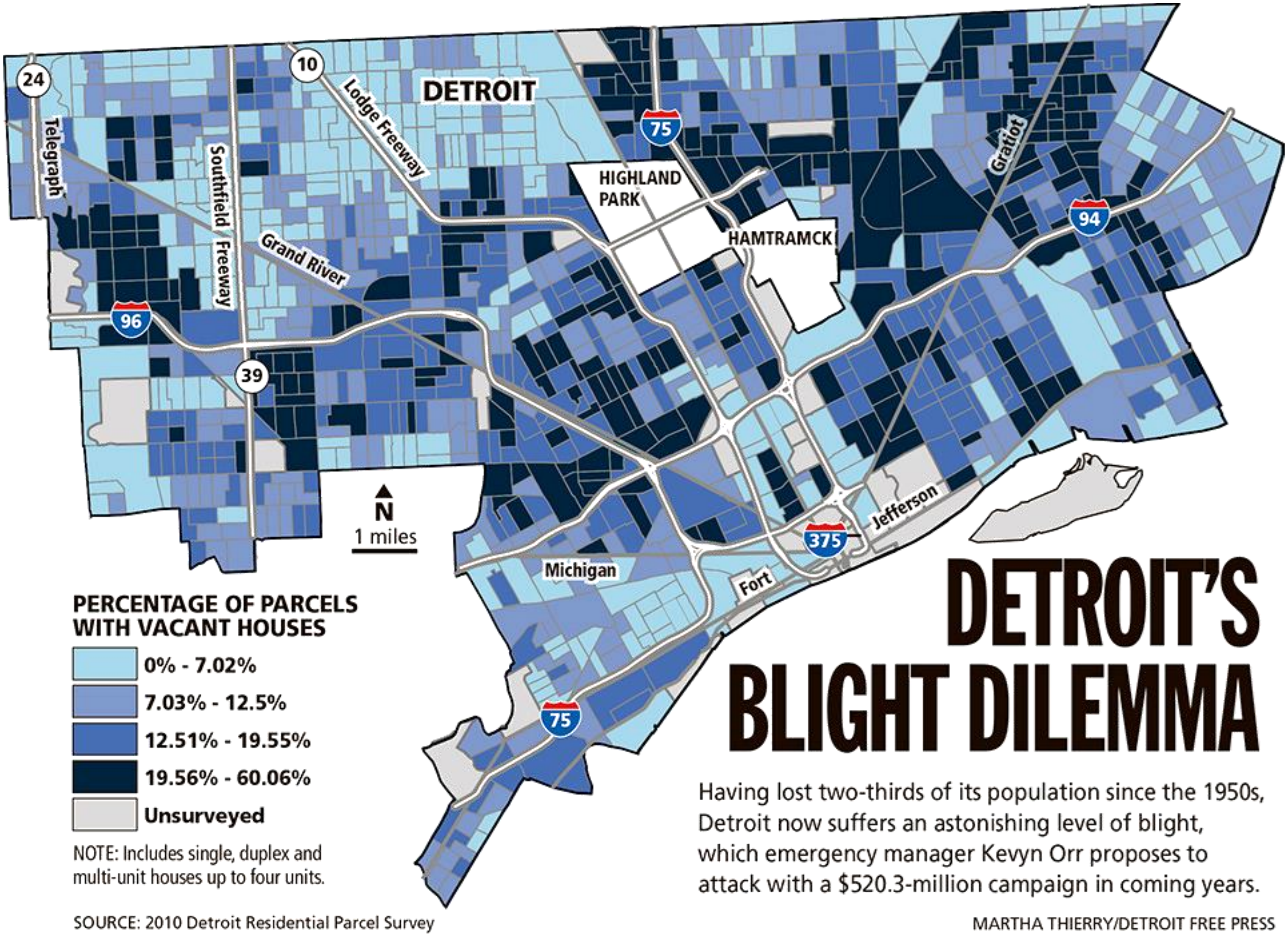
The City's deficits continued to grow as legacy expenditures absorbed additional amounts of resources





(1)Based on City of Detroit Proposal for Creditors, dated June 14, 2013.

City of Detroit, Michigan



http://www.freep.com/article/20140223/NEWS01/140222007/Graphic-Mapping-Detroit-s-blight

Eighth Amended Plan of Adjustment Summary

Select Major Claims Summary

Claim (Est. Size $ Million)	Treatment
Sewer and Water Claims ($5,273) (Class 1A – 1C)	▸ Unimpaired; all non-tendered bonds reinstated on the effective date ▸ Tender resulted in $1.64 billion of bonds voluntarily tendered for $113.5M of NPV savings ▸ All state revolving fund loans are unimpaired and reinstated in full
COP Swap Claims ($290) (Class 5)	▸ Deemed Allowed as Secured Claim in the amount of $85.0M plus accrued interest after October 15, 2014 (30% Recovery) (Reflects settlement between the City and COP Swap banks) ▸ Claim shall be paid either (1) in full in cash 30 days following Effective Date or (2) 180 days following the effective date in the case the City is not able to secure sufficient exit financing
LTGOs ($164) (Class 7)	▸ Pro rata share of either (1) $55.0M in cash or (2) $55.0M of New LTGO Bonds at the City's option ▸ Pro rata share of Excess New B Notes in an amount of $17.3M
UTGOs ($388) (Class 8)	▸ The City will issue $287,560,790 of MFA-backed UTGO bonds (74.1% Recovery), of which $279,618,950 will be issued to the current holders of the UTGO bonds on a pro-rata basis and $7,941,840 will be issued to the UTGO insurers • Confirmed lien on UTGO levy and fourth lien on DSA • Other terms consistent with outstanding UTGO bonds ▸ MFN clause

Eighth Amended Plan of Adjustment Summary (Cont.)

Claim (Est. Size $ Million)	Treatment
COPs ($1,473) **(Class 9)** Syncora: $354 FGIC: $1,119	▸ FGIC Holders:$74.2M New B Notes, $67.2M New C Notes and $19.75M Settlement Credits • FGIC Insurance Settlement: $4.5M New B Notes • FGIC Litigation Settlement: Joe Louis Arena development agreement ▸ Syncora Holders: $23.5M New B Notes, $20.8M New C Notes and $5.25M Settlement Credits • Syncora Insurance Settlement: $5 million cash payment • Syncora Litigation Settlement: Detroit-Windsor Tunnel lease extension and Grand Circus Parking lease
PFRS Pension Claims ($1,250) **(Class 10)**	▸ Plan freeze, COLA increases reduced 55% (no reduction in current pension levels) ▸ Contributions until 2023 to be fixed and funded solely by (i) DIA proceeds and (ii) State funding (PV of $203M) ▸ General Fund funding to recommence starting in 2023 for remaining unfunded amount supplemented by certain additional DIA proceeds (PV of $362M)
GRS Pension Claims ($1,879) **(Class 11)**	▸ Plan freeze, COLA eliminated and 4.5% reduction in current pension levels ▸ Exclusive source for funding until 2023 shall be payments from the DWSD equal to approximately $428.5M and a portion of State Contribution and certain DIA proceeds (PV of ~$203M) ▸ General Fund funding to recommence starting in 2023 for remaining unfunded amount supplemented by certain additional DIA proceeds (PV of ~$345M)
GRS & PFRS **OPEB ($4,303)** **(Class 12)**	▸ Creation of General and Police / Fire VEBA to satisfy OPEB claims • General VEBA to be funded with $218M New B Notes, $20.8M of Excess New B Notes, and $11M cash • Police and Fire VEBA to be funded with $232M New B Notes, $21.9M of Excess New B Notes, and $9M cash

Eighth Amended Plan of Adjustment Summary (Cont.)

Securities Summary

Security (Est. Size $ Million)	Terms
New LTGO Bonds ($55)	▸ Principal: $55.0M ▸ Interest Rate: 5.65% payable semi-annually, 5.00% in cash and 0.65% in capital appreciation for years 1-10, all cash for years 11-23 ▸ Maturity: 23 years ▸ Amortization: 13 equal annual installments beginning in year 11 ($3,735,115 per year)
New B Notes ($632)	▸ Principal: $632.0M ▸ Interest Rate: 4.0% for the first 20 years, 6.0% for years 21-30 ▸ Maturity: 30 years ▸ Amortization: 20 equal annual installments beginning in year 11 ▸ Unsecured
New C Notes ($88)	▸ Principal: $88.4M ▸ Interest Rate: 5.0% ▸ Maturity: 12 years (Callable at any time at par plus accrued) ▸ Amortization: Annual payment (interest and principal) of $9,977,153 ▸ Unsecured; City Parking Revenues shall be directed into a lockbox account for the payment of principal and interest
Settlement Credits	▸ Credits for the purchase price of certain City parking assets or certain City-owned real property in the course of a normal auction ▸ Credits cannot be used for more than 50% of the purchase price of a single asset

Overview of Plan of Adjustment

Eliminates billions of dollars of debt and unfunded liabilities and positions the City for growth through significant capital investment and increased oversight

- Extinguishes $1.8 billion of funded debt, obligations and payables:
  - Debt backed by distributable state aid (“DSA”), water and sewer revenues (“DWSD Debt”), and City income taxes unimpaired
  - Majority of new General Fund debt issued to creditors is LTGO

- Eliminates $5.5 billion in unfunded pension and OPEB obligations:
  - General Fund’s pension contribution obligations deferred until FY 2023 – trusts funded primarily by the “Grand Bargain” and DWSD in the interim
  - Pension actuarial rate of return assumptions reduced to 6.75%; mechanisms introduced to share investment performance
  - Establishes and capitalizes VEBAs to address retiree health care, removing $3.8 billion of unfunded OPEB obligation

- Provides $1.4 billion of net investment before revenue initiatives for infrastructure and other revitalization initiatives through FY 2023:
  - Blight Removal: $420 million
  - Public Safety: $411 million
  - Services Infrastructure: $403 million
  - Transportation & Other Resident Services: $106 million

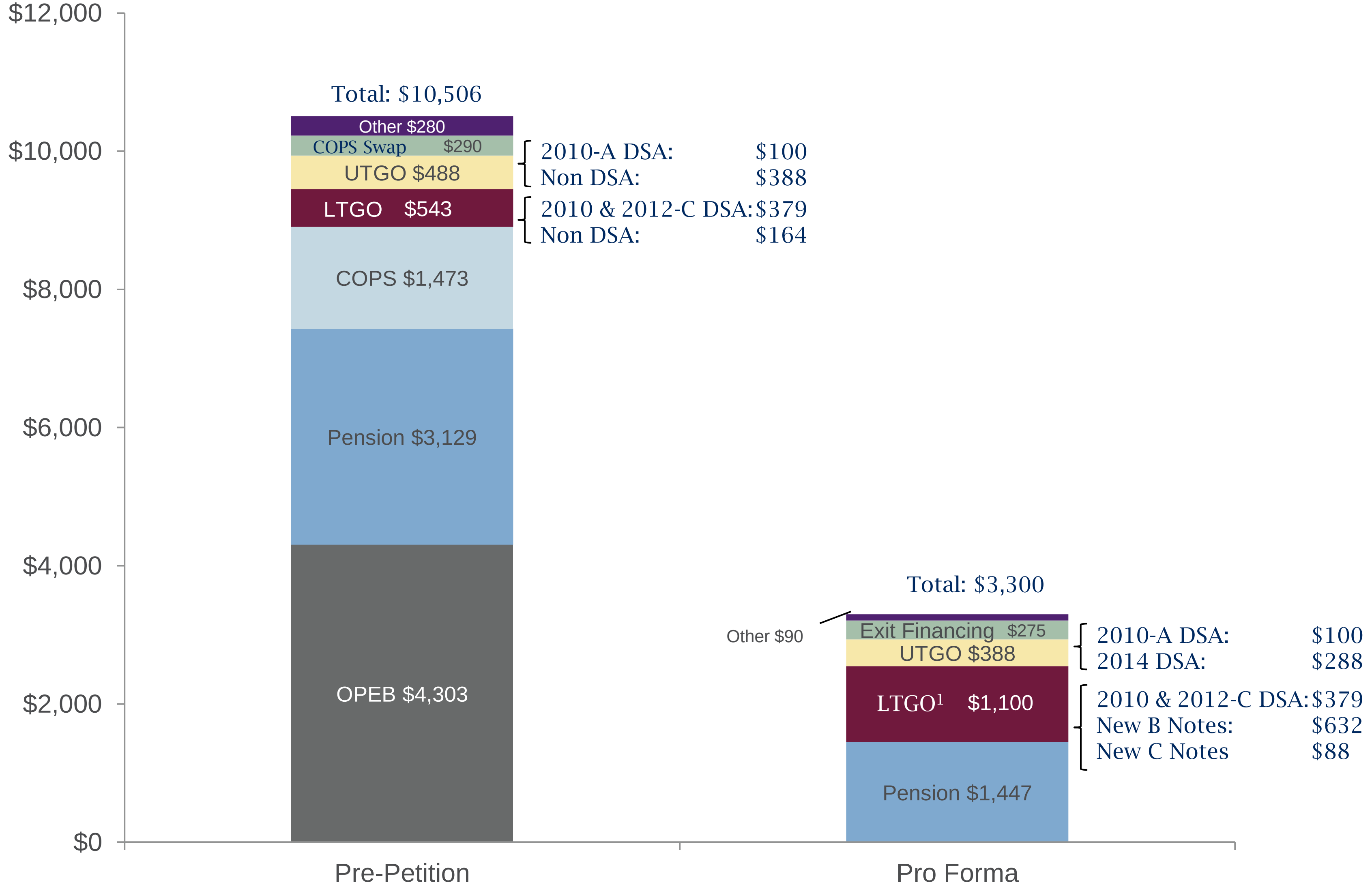
Overview of Plan of Adjustment

City of Detroit Plan of Adjustment is Confirmed with a likely Effective Date in December 2014

- City filed for Bankruptcy in July 2013 with a likely Effective Date in December 2014
- Plan of Adjustment requires a Financial Review Commission to provide oversight of the City's finances
- Plan of Adjustment receives and assumes support from various outside parties; i.e. State, local Counties, Foundations, etc.
- Plan of Adjustment does not and can not address all of the City's issues; i.e. Detroit Public School System
- Now the Hard Part: Implementation and Execution of the Plan of Adjustment!

General Fund Pro Forma Capitalization

The Plan of Adjustment reduces the City's General Fund obligations by $7.2 billion

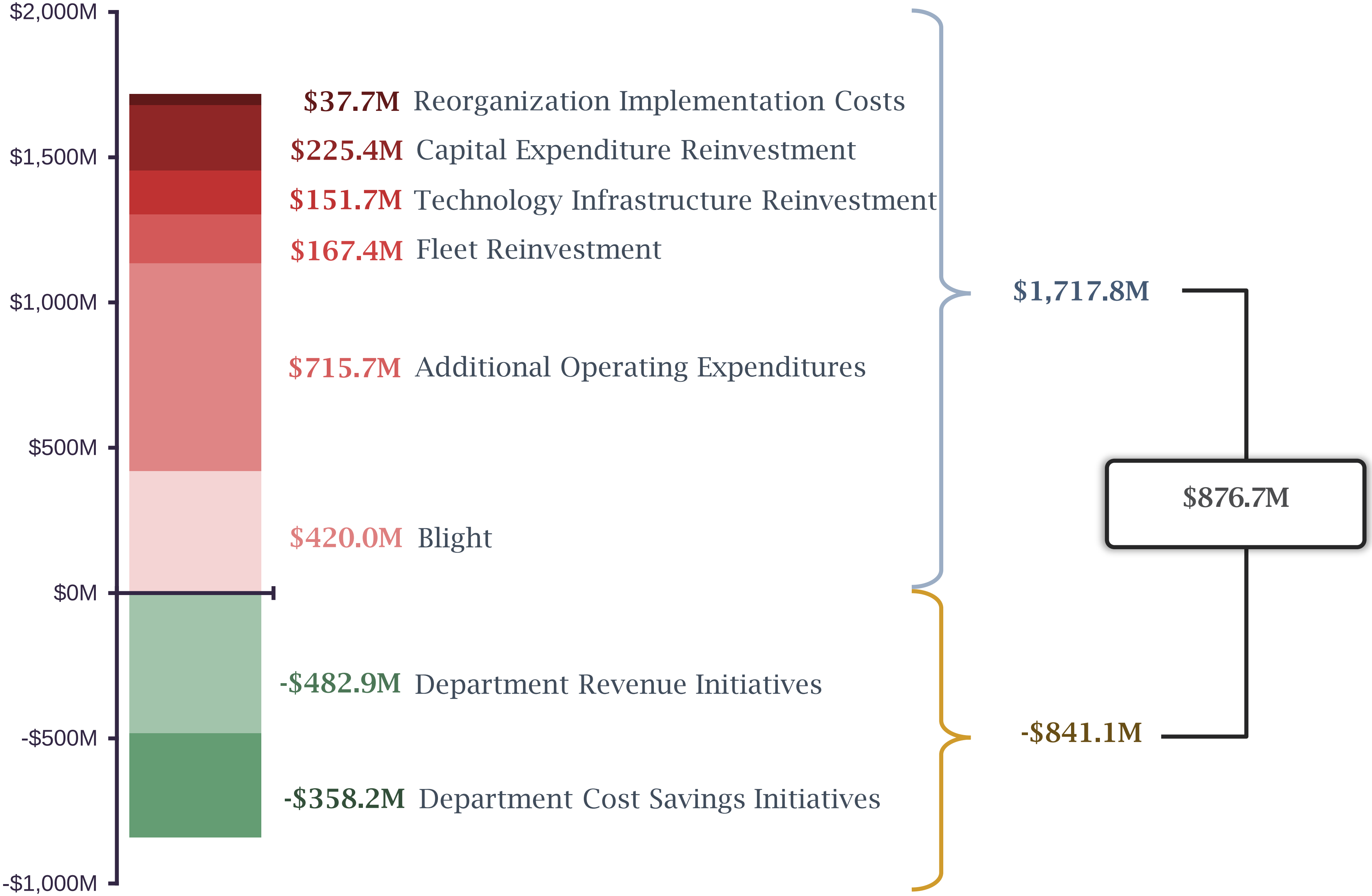


1. Assumes $55 million of New LTGO Bonds representing recoveries for prepetition Unsecured LTGO Bonds is paid off at exit.

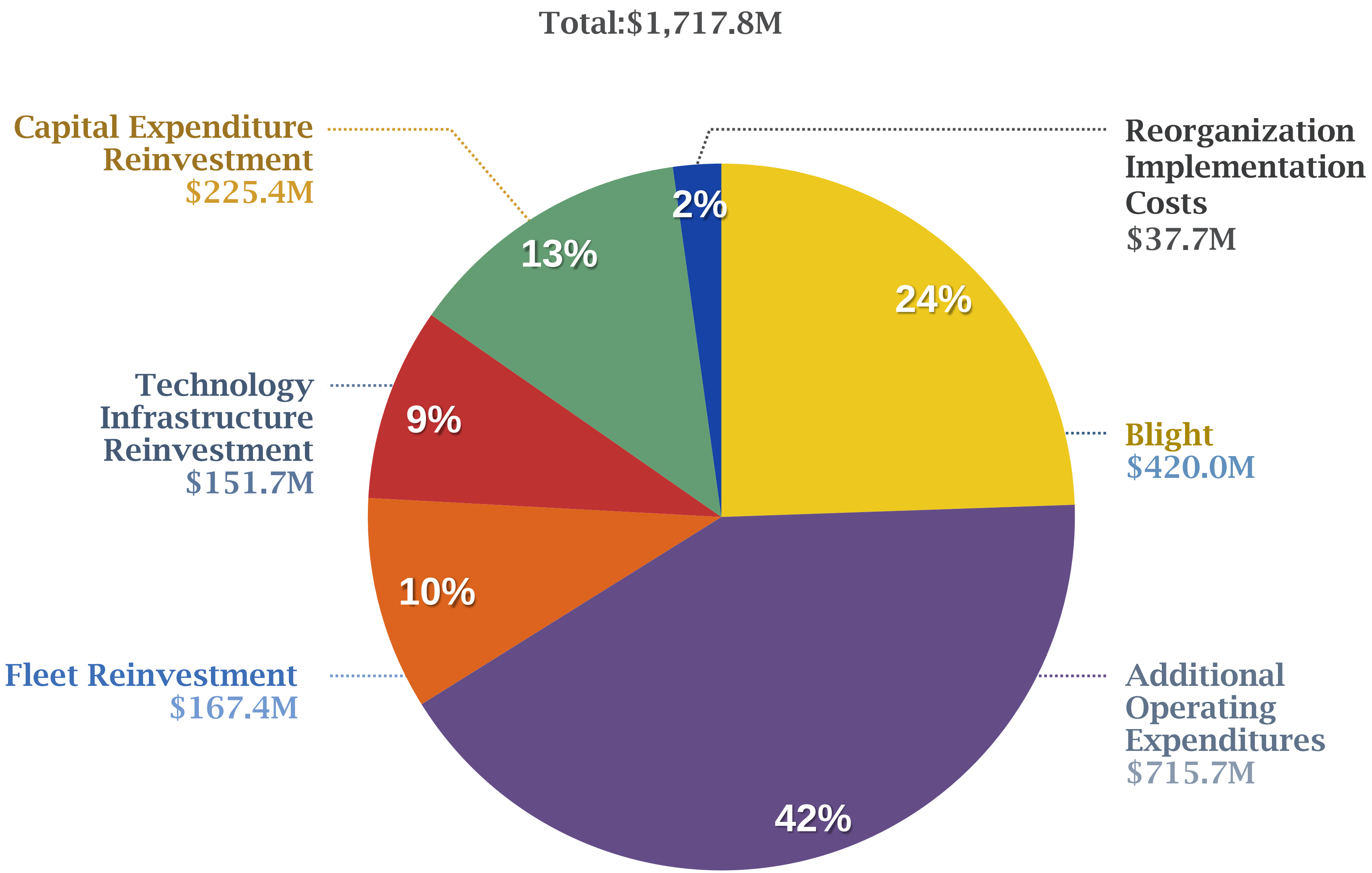
General Fund 10 Year Pro Forma Revenues and Expenditures

Projected ten year deficit of $3.9b absent restructuring is avoided under proposed Plan

Financial Summary of Reinvestment Initiatives Ten-Year Total



Investment – Ten-Year Total



Financial Review Commission

- Purpose: Oversight board that will monitor Detroit's finances after the City officially emerges from bankruptcy
  - Established schedule of monthly meetings where it will help ensure the City stays on solid financial footing
  - Nine members, appointed by State of Michigan
- Requirements: Under State law, the Financial Review Commission ("FRC") will have oversight of Detroit's finances for at least 13 years
  - FRC could go dormant if Detroit meets terms of its bankruptcy exit plan and keeps its budgets balanced three years in a row
  - Broad powers to approve or reject City contracts, budgets, spending and labor contracts
- Effective Date: FRC commences on the effective date of Detroit's exit from bankruptcy
  - Anticipated to occur mid-December 2014

Interaction of State/ Private Enterprise/ Community

- Grand Bargain:
  - Raised more than $800 million from foundations, private donors and the State of Michigan
  - Preserved the Detroit Institute of Art collection
  - Reduced cuts to accrued pension benefits
- Blight Task Force:
  - Led by prominent members of the community, as well as Dan Gilbert, Founder and Chairman of Rock Ventures LLC and Quicken Loans Inc.
  - Goal is to develop a straightforward and detailed implementation plan to remove 'blighted' structures in the City
  - Members of the Blight Task Force organized a team of experts from all levels of government, the private and nonprofit sectors, and the foundation community to provide insight on the topic of blight elimination
- Detroit Future City ("DFC"):
  - DFC Strategic Framework is a highly detailed long term guide for decision-making by all of the stakeholders in the City of Detroit
  - Collaboration of efforts between foundations, the Detroit Economic Growth Corporation and the City of Detroit

Critical Implementation Factors

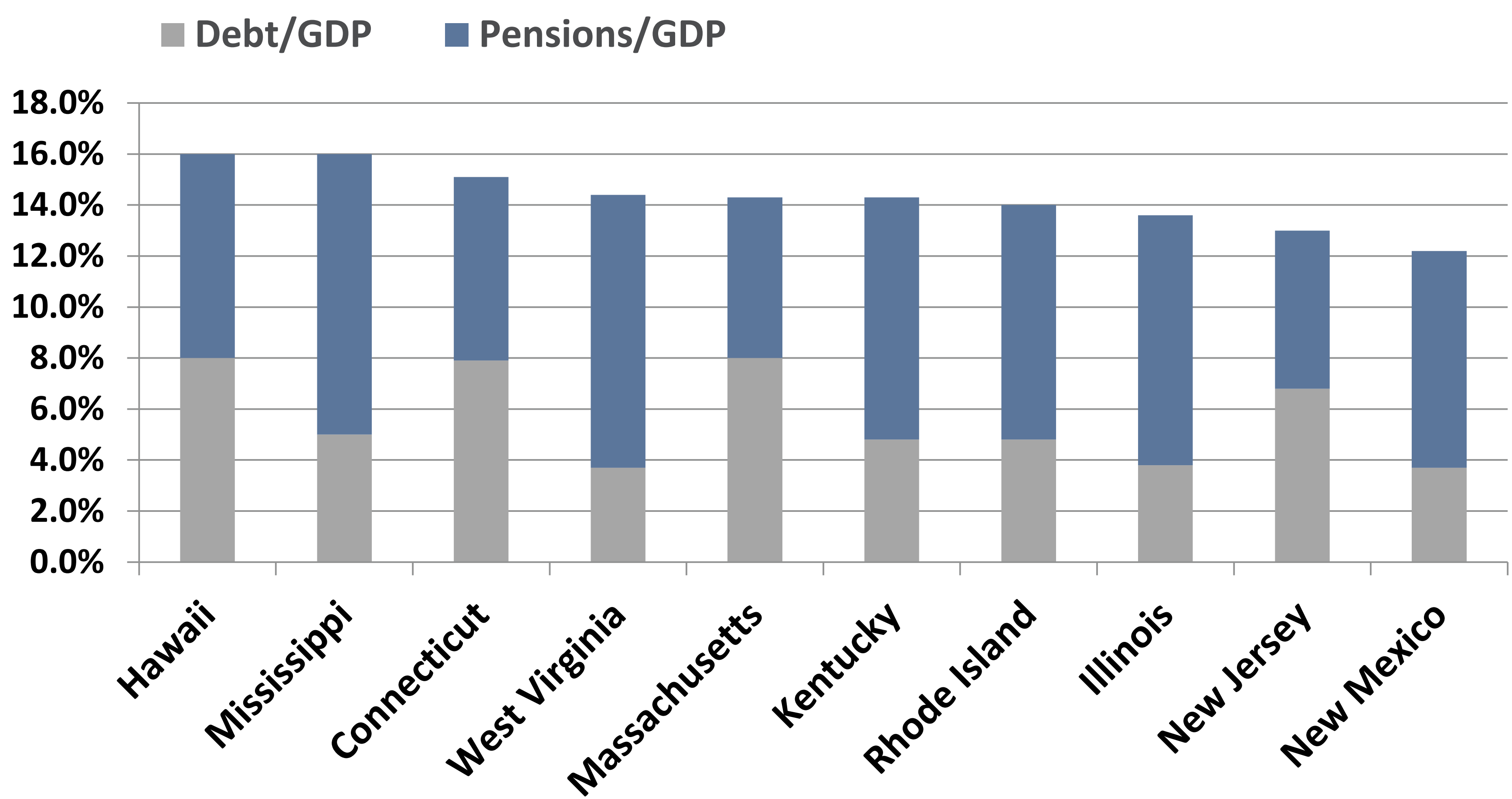
- Mayor and City Council continued commitment to the Plan of Adjustment
- Retention of senior management team to execute Plan of Adjustment
- Establishment of a centralized financial management organization
  - Office of the Chief Financial Officer
- Reorganization and centralization of current Information Technology Services and Human Resources Departments
- Selection and implementation of new Enterprise Resource Planning ("ERP") System
  - "Backbone" of financial reporting system
  - Drives other critical functions such as procurement and payroll
- Diligent and timely monitoring and tracking of the actual financial and operational results to ensure alignment with Plan of Adjustment
- Proper oversight from the Financial Review Commission
- Continued support from State, County, business community, etc.

Future of Municipal Insolvency

Future of Municipal Insolvency

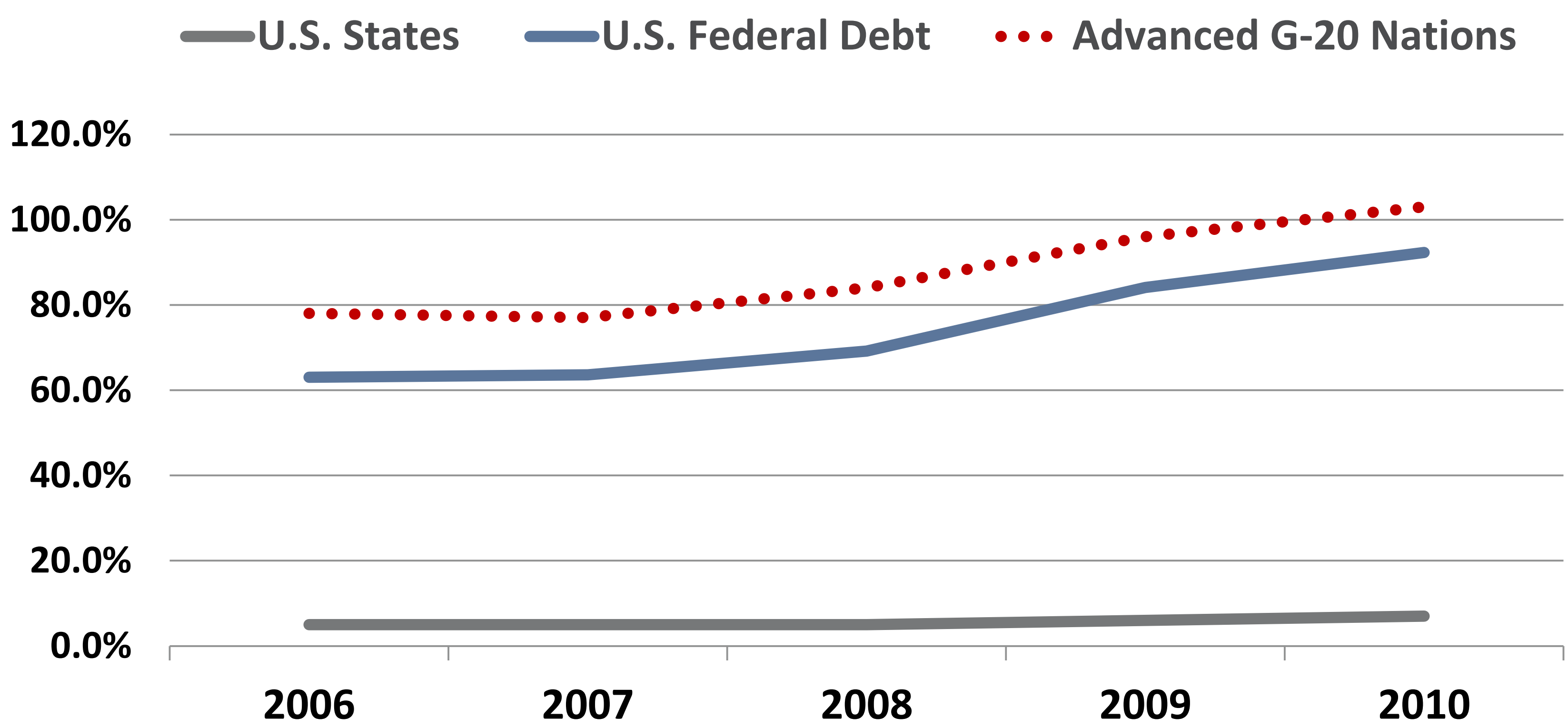
- How / why should other Distressed Municipalities avoid Chapter 9
- Future municipality use of Chapter 9
- States and/or municipalities with potential issues

Combined Liabilities as Share of GDP Top 10 States



Source: *Moody's Investors Service*

Net Tax-Supported Debt & Unfunded Pension Liabilities as % of GDP: U.S. States Compared to Advanced G-20 Nations



Source: *Moody's Investors Service & International Monetary Fund*

Teachers in Illinois: 2001 to 2010

	2001	2010	% increase
# of Annuitants	65,000	98,000	51%
Benefits Paid	**$1.6B**	**$4.1B**	**156%**
Average Salaries	$50,000	$66,000	32%

Identifying Distressed Municipalities – Unfunded Pension Obligations

EXHIBIT 2:

PENSION FUNDING IN 61 CITIES

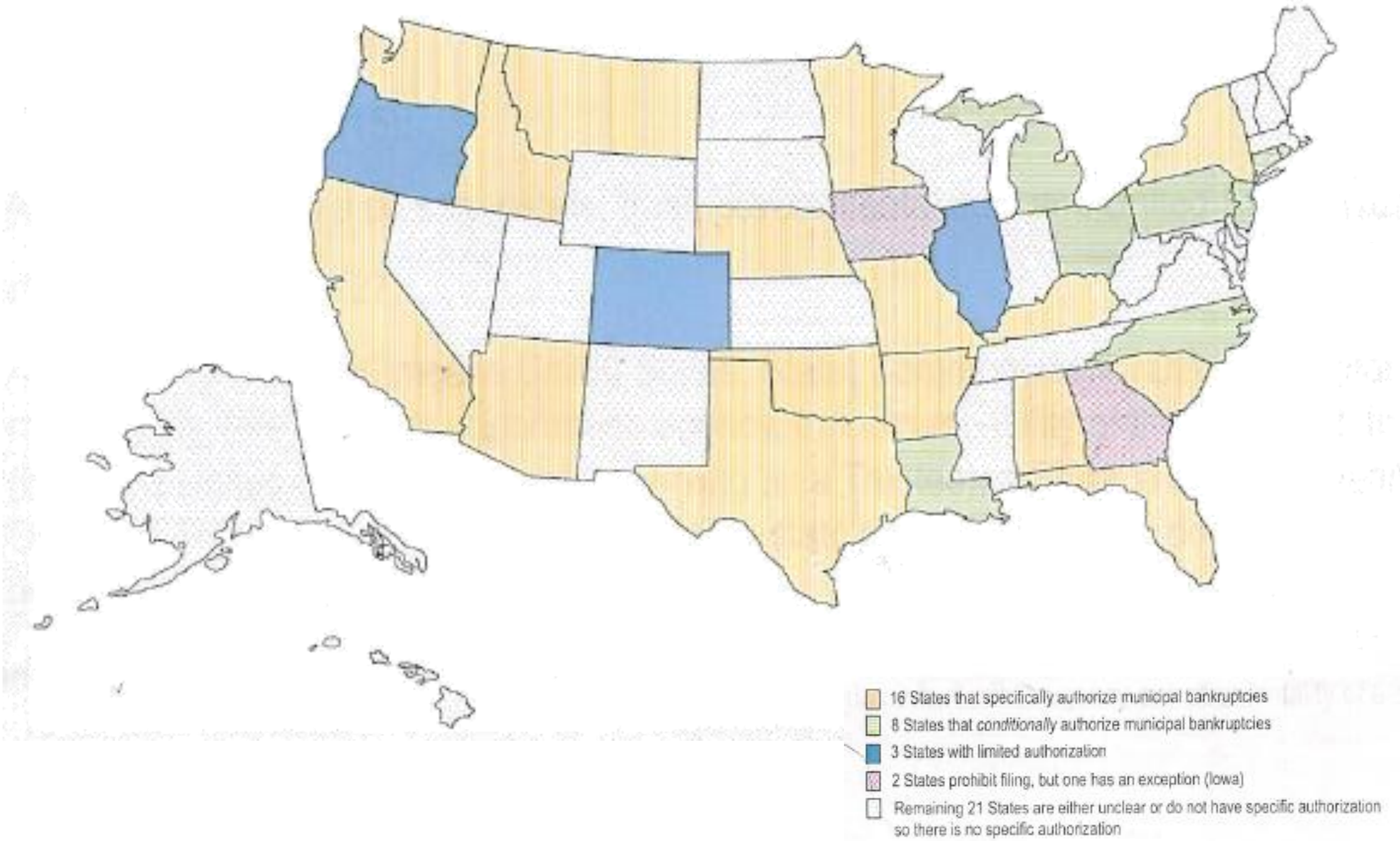
FISCAL YEAR 2009

■ 24 cities had funding levels of 80% or above ■ 37 cities had funding levels below 80% (Dollars in millions)

City	Annual recommended contribution	Percent paid	Total liability	Percent funded
Albuquerque, NM	$35	100%	$1,710	84%
Anchorage, AK	14	116	1,192	68
Atlanta, GA	144	100	3,171	60
Austin, TX	107	85	3,729	75
Baltimore, MD	113	100	4,704	86
Billings, MT	3	126	267	74
Birmingham, AL	21	79	1,186	81
Boise, ID	10	127	496	74
Boston, MA	108	100	3,067	60
Bridgeport, CT	22	94	809	75
Burlington, VT	6	102	169	77
Charleston, WV	17	39	270	24
Charlotte, NC	25	98	1,366	94
Cheyenne, WY	5	67	176	92
Chicago, IL	990	43	24,971	52
Kansas City, MO	$57	88%	$2,486	72%
Las Vegas, NV	58	90	1,427	72
Little Rock, AR	35	44	498	59
Los Angeles, CA	658	101	35,063	89
Louisville, KY	32	111	1,202	68
Manchester, NH	15	90	436	60
Memphis, TN	44	86	3,577	84
Milwaukee, WI	60	100	4,269	113
Minneapolis, MN	52	73	2,540	72
Nashville, TN	116	108	3,107	73
New Orleans, LA	67	54	1,993	61
New York, NY*	7,284	100	148,586	70
Oklahoma City, OK	40	61	1,275	78
Omaha, NE	63	45	1,429	43
Philadelphia, PA	761	70	18,337	62

Report from the Pew Charitable Trusts, available at:
http://www.pewtrusts.org/uploadedFiles/wwwpewtrustsorg/Reports/Retirement_security/Pew_city_pensions_report.pdf

Authorization



Questions