UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re	)	Chapter 9
CITY OF DETROIT, MICHIGAN,	)	Case No. 13-53846
Debtor.	)	Hon. Steven W. Rhodes
	)	**Expedited Consideration Requested**

THE OBJECTORS' SUPPLEMENTAL MOTION TO ADMIT CERTAIN DEPOSITION TESTIMONY OF CHARLES MOORE AND JAMES DOAK

The Objectors[1] hereby move this court pursuant to Federal Rules of Civil Procedure 26 and 32(a), made applicable to this proceeding by Federal Rules of Bankruptcy Procedure 7026 and 7032, for entry of the proposed order attached hereto as Exhibit 1 admitting the deposition testimony identified in Exhibit 6-A and Exhibit 6-B[2] for purposes of the upcoming evidentiary hearing(s) relating to the *Motion of Debtor for Entry of an Order (I) Authorizing the Assumption of that Certain Forbearance and Optional Termination Agreement Pursuant to Section*

[1] This motion is joined by Syncora Capital Assurance Inc. and Syncora Guarantee Inc. ("Syncora"), Assured Guaranty Municipal Corp., The Michigan Council 25 of the American Federation of State, County & Municipal Employees, AFL-CIO and Sub-Chapter 98, City of Detroit Retirees, Ambac Assurance Corporation, National Public Finance Guarantee Corporation, Hypothekenbank Frankfurt AG, Hypothekenbank Frankfurt International S.A., and Erste Europäische Pfandbrief- und Kommunalkreditbank Aktiengesellschaft in Luxemburg S.A. (collectively "EEPK"), the Police and Fire Retirement System of the City of Detroit and the General Retirement System of the City of Detroit, FMS Wertmanagement AöR, and Financial Guaranty Insurance Company.

[2] The deposition designations submitted by the undersigned objectors are contained in Exhibits 6-A and 6-B.

365(a) of the Bankruptcy Code, (II) Approving Such Agreement Pursuant to Rule 9019, and (III) Granting Related Relief, dated July 18, 2013 [Doc. No. 17] (the "Assumption Motion") and the *Motion of the Debtor for a Final Order Pursuant to 11 U.S.C. §§ 105, 362, 364(C)(1), 364(C)(2), 364(E), 364(F), 503, 507(A)(2), 904, 921 and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Claim Status and (III) Modifying Automatic Stay, dated November 5, 2013* [Doc. No. 1520] (the "DIP Motion"). The Objectors submit this motion as an amendment to their *Motion to Admit Certain Deposition Testimony of Kevyn Orr and Kenneth Buckfire* [Doc. No. 954] (the "Motion to Admit") in light of the consolidation of the hearings [Doc. No. 1864] with respect to the Assumption and DIP Motions and the additional deposition testimony that has been obtained since the Objectors' Motion to Admit. In support thereof, the Objectors state as follows:

JURISDICTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue for this matter is proper in this district pursuant to 28 U.S.C. §§ 1408 and 1409.

LEGAL STANDARD

2. Federal Rule of Civil Procedure 32(a)(1) provides that, "[a]t a hearing or trial, all or part of a deposition may be used against a party on these conditions:

(A) the party was present or represented at the taking of the deposition or had reasonable notice of it; (B) it is used to the extent it would be admissible under the Federal Rules of Evidence if the deponent were present and testifying; and (C) the use is allowed by Rule 32(a)(2) through (8)." FED. R. CIV. P. 32(a)(1).

3. Under Federal Rule of Civil Procedure 32(a)(3), "[a]n adverse party may use for any purpose the deposition of a party or anyone who, when deposed, was the party's officer, director, managing agent, or designee under Rule 30(b)(6) or 31(a)(4)." FED. R. CIV. P. 32(a)(3).

4. In the Sixth Circuit, a "managing agent" for purposes of Rule 32(a)(3) is any person who possesses the following authority and attributes:

a. Acts with superior authority and is invested with general powers to exercise his judgment and discretion in dealing with his principal's affairs (as distinguished from a common employee, who does only what he is told to do; has no discretion about what he can or cannot do; and is responsible to an immediate superior who has control over his acts);

b. Can be depended upon to carry out his principal's directions to give testimony at the demand of a party engaged in litigation with his principals; and

c. Can be expected to identify himself with the interests of his principal rather than those of the other party.

In re Air Crash at Lexington, Kentucky, August 27, 2006, 71 Fed. R. Serv. 3d 313, 2008 WL 2954971, at *4 (E.D. Ky. Jul. 30, 2008) (*citing Brandon v. Art Centre Hospital (Osteopathic)*, 366 F.2d 369, 372 (6th Cir. 1966)).

RELIEF REQUESTED AND BASIS FOR RELIEF

5. In this case, the Objectors are submitting the deposition testimony of Charles Moore and James Doak, both of whom qualify as managing agents for purposes of Rule 32(a)(3). The deposition testimony that the Objectors intend to submit is attached hereto as Exhibits 6-A and 6-B.

6. The deposition testimony of Charles Moore satisfies the standards of Federal Rule 32. First, Mr. Moore was represented at his deposition by Jones Day. Second, the Objectors intend to use Mr. Moore's deposition testimony to the extent it would be admissible under the Federal Rules of Evidence if Mr. Moore were present and testifying (*i.e.*, as party admissions under Federal Rule of Evidence 801(2)(d)). Third, Mr. Moore was one of the City's "managing agents" at the time of his deposition on December 4, 2013.

7. At the time of his deposition, Mr. Moore was a Senior Managing Director at Conway MacKenzie, Inc. (Declaration of Charles Moore in Support of the DIP Motion [Doc. No. 1520] ¶ 1.) Mr. Moore was acting as an operational restructuring advisor to the City (*Id.*) As the operational restructuring advisor, Moore worked to develop an extensive 10-year reinvestment plan to rebuild the City's infrastructure (*Id.* at ¶ 4.) He worked closely with multiple City departments to develop a detailed and comprehensive work plan to manage those departments' activities. (Ex. 6-C, Moore Dep. 17:5-19.)

8. Mr. Moore acts, as set out in *In re Air Crash*, "with superior authority and is invested with general powers to exercise his judgment and discretion in dealing with [the City's] affairs." Accordingly, he qualifies as a managing agent for purposes of Federal Rule 32(a)(3).

9. The deposition testimony of James Doak also satisfies the standards of Federal Rule 32. First, Mr. Doak was represented at his deposition by Jones Day. Second, the Objectors intend to use Mr. Doak's deposition testimony to the extent it would be admissible under the Federal Rules of Evidence if Mr. Doak were present and testifying (*i.e.*, as party admissions under Federal Rule of Evidence 801(2)(d)). Third, Mr. Doak was one of the City's "managing agents" at the time of his deposition on December 5, 2013.

10. At that time, Mr. Doak was a managing director at Miller Buckfire & Co., LLC, which served as an investment banker to the City. (Declaration of James Doak in Support of the DIP Motion [Doc No. 1520], ¶ 1.) Mr. Doak was involved in all aspects of obtaining postpetition financing for the City, including soliciting proposals, engaging in dialogue with potential lenders, selecting the best proposal for the City's needs, and negotiating the primary terms of the financing documents. (Doak Decl. ¶ 4.)

11. Accordingly, Mr. Doak qualifies as a managing agent under Federal Rule 32. To begin, Mr. Doak had the authority to exercise his judgment and

discretion to negotiate the best possible terms with the prospective lenders. *See In re Air Crash*, 2008 WL 2954971, at *4 (stating that a managing agent is a person who "is invested with general powers to exercise his judgment and discretion in dealing with his principal's affairs . . . ."). In addition, Mr. Doak's appearance at his deposition and the upcoming evidentiary hearing demonstrate that he satisfies the other two factors set out in *In re Air Crash* — namely, that he can (a) be depended upon to carry out the City's direction to provide testimony and (b) be expected to identify himself with the interests of the City as opposed to the Objectors.

12. Finally, it should be noted that, in addition to the fact that the depositions of Messrs. Moore and Doak are independently admissible, granting this Motion will permit counsel to focus their cross-examinations on the most salient points, which will help to streamline the consildated hearing on the Assumption Motion and DIP Motion.

13. In filing this motion, the Objectors reserve their right to designate additional deposition testimony based on the evidence introduced at the hearing, consistent with any Orders of the Court regarding post-hearing submissions.

[Remainder of this page intentionally left blank.]

WHEREFORE, the Objectors request that this Court grant the relief requested in this motion and enter an order consistent with the proposed order attached as Exhibit 1.

Dated: December 11, 2013

Respectfully submitted,

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Summary of Exhibits

Exhibit 1 - Proposed Order

Exhibit 2 - Notice of Motion and Opportunity to Object

Exhibit 3 - None [Brief Not Required]

Exhibit 4 - None [Separate Certificate of Service to be Filed]

Exhibit 5 - Affidavits [Not Applicable]

Exhibit 6 - Documentary Exhibits

> Exhibit 6A - Objectors' Designations From December 4, 2013 Deposition of Charles Moore
>
> Exhibit 6B - Objectors' Designations From December 5, 2013 Deposition of James Doak
>
> Exhibit 6C - Excerpt from the Deposition of Charles Moore

Exhibit 1

Proposed Order

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re	)	Chapter 9
CITY OF DETROIT, MICHIGAN,	)	Case No. 13-53846
Debtor.	)	Hon. Steven W. Rhodes

ORDER GRANTING THE OBJECTORS' SUPPLEMENTAL MOTION TO ADMIT CERTAIN DEPOSITION TESTIMONY OF CHARLES MOORE AND JAMES DOAK

This matter coming before the Court on the motion of the Objectors for the entry of an order admitting the deposition testimony identified in Exhibit 6-A and Exhibit 6-B to *The Objectors' Supplemental Motion to Admit Certain Deposition Testimony of Charles Moore and James Doak*; the Court having reviewed the Objectors' motion; and the Court having determined that the legal and factual bases set forth in the motion establish just cause for the relief granted herein;

IT IS HEREBY ORDERED THAT:

1. The Objectors' motion is GRANTED.

2. The deposition testimony identified in Exhibit 6-A and Exhibit 6-B to the Objectors' motion is admitted.

3. The joining Objectors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the motion.

4. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

5. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

IT IS SO ORDERED.

____

STEVEN W. RHODES
United States Bankruptcy Judge

<u>Exhibit 2</u>

Notice of Motion and Opportunity to Object

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN

In re	)	Chapter 9
CITY OF DETROIT, MICHIGAN,	)	Case No. 13-53846
Debtor.	)	Hon. Steven W. Rhodes

NOTICE OF THE OBJECTORS' SUPPLEMENTAL MOTION TO ADMIT CERTAIN DEPOSITION TESTIMONY OF CHARLES MOORE AND JAMES DOAK

PLEASE TAKE NOTICE that on December 11, 2013, the Objectors filed the *Objectors' Supplemental Motion to Admit Certain Deposition Testimony of Charles Moore and James Doak* (the "Motion") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court") seeking entry of an order admitting deposition testimony for purposes of the upcoming evidentiary hearing(s) relating to the *Motion of Debtor for Entry of an Order (I) Authorizing the Assumption of that Certain Forbearance and Optional Termination Agreement Pursuant to Section 365(a) of the Bankruptcy Code, (II) Approving Such Agreement Pursuant to Rule 9019, and (III) Granting Related Relief*, dated July 18, 2013 [Doc. No. 17] (the "Assumption Motion") and the *Motion of the Debtor for a Final Order Pursuant to 11 U.S.C. §§ 105, 362, 364(c)(1), 364(c)(2), 364(e), 364(f), 503, 507(a)(2), 904, 921 and 922 (I) Approving Post-Petition Financing, (II) Granting Liens and Providing Superpriority Claim Status and (III) Modifying Automatic Stay, dated November 5, 2013* [Doc. No. 1520] (the "DIP Motion").

PLEASE TAKE FURTHER NOTICE that your rights may be affected by the relief sought in the Motion. You should read these papers carefully and discuss them with your attorney, if you have one. If you do not have an attorney, you may wish to consult one.

PLEASE TAKE FURTHER NOTICE that if you do not want the Bankruptcy Court to grant the Objectors' Motion or you want the Bankruptcy

Court to consider your views on the Motion, by **December 26, 2013,** you or your attorney must:[1]

File with the Bankruptcy Court a written response to the Motion, explaining your position, electronically through the Bankruptcy Court's electronic case filing system in accordance with the Local Rules of the Bankruptcy Court or by mailing any objection or response to:[2]

United States Bankruptcy Court
Theodore Levin Courthouse
231 West Lafayette Street
Detroit, MI 48226

You must also serve a copy of any objection or response upon:

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[1] Concurrently herewith, the Objectors are seeking expedited consideration and shortened notice of the Motion. If the Court grants such expedited consideration and shortened notice, the Objectors will file and serve notice of the new response deadline.

[2] A response must comply with F. R. Civ. P. 8(b), (c) and (e).

If an objection or response is timely filed and served, the clerk will schedule a hearing on the Motion and you will be served with a notice of the date, time and location of the hearing.

PLEASE TAKE FURTHER NOTICE that if you or your attorney do not take these steps, the court may decide that you do not oppose the relief sought in the Motion and may enter an order granting such relief.

Dated: December 11, 2013

/s/ *Stephen C. Hackney*

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Exhibit 3

None [Brief Not Required]

<u>Exhibit 4</u>

None [Separate Certificate of Service to be Filed]

Exhibit 5

Affidavits
[Not Applicable]

Exhibit 6A

Objectors' Designations From December 4, 2013
Deposition of Charles Moore

Objectors’ Designations From December 4, 2013 Deposition of Charles Moore

Pg: 9 Ln: 15 - 24

Designation:

Q. Mr. Moore, good morning. Can you state your name for the record, please.

A. Yes. Charles Moore, M-O-O-R-E.

Q. It's my understanding that you've had your deposition taken a number of times before, is that correct?

A. Yes, sir.

Q. And it's fair to say that you have a general understanding of the way a deposition process works, is that correct?

A. Yes.

Pg: 10 Ln: 19 - Pg: 13 Ln: 8

Designation:

Q. Let me hand you what I've marked for purposes of identification as Moore Exhibit Number 1. I've got two more of these. Sorry, guys, I just made five total.

Do you have Moore Exhibit Number 1 in front of you, Mr. Moore?

A. I do.

Q. This is a contract between Conway MacKenzie and the City of Detroit regarding professional services, is

that correct?
A. That appears to be the case, yes.
Q. If you look at the back of this contract, you'll see that I have attached the first amendment to the contract as well. It's the last three pages double sided, so to speak.
A. Yes.
Q. Have there been any other amendments to this contract?
A. Not other than the first amendment.
Q. Yeah, I meant other than what we're looking at here.
A. Correct, no others.
Q. If you look at the first amendment, you'll see there's a reference to the so-called Impact subcontract?
A. Yes, sir.
Q. And the Impact subcontract is defined within this first amendment, the definition of what those words mean, do you see that?
A. I do, yes.
Q. Is the Impact subcontract itself embodied in a contract of its own somewhere else?
A. Yes.
Q. Okay. Do you know if that has been made available to the creditors?
12: A. I don't know.
Q. For what it's worth, I did not see that on the City's website when I was reviewing all the consultant contracts, so to the extent it's not in the data room,

I'll ask for counsel to get that produced.

Can you tell me what the impact subcontract is?

A. It's a contract between Conway MacKenzie, Inc., which is my firm, and Impact Staffing, related to the provision of resources to assist in the operational restructuring of the City of Detroit.

Q. Okay. So does it expand the scope of services that Conway MacKenzie is obligated to provide under this professional service contract?

A. It does not.

Q. In layman's terms, is it that you needed additional bodies to help you perform the services and one of the ways that you got the additional bodies was by entering into a subcontract?

A. Back several months ago when there were different people involved on behalf of the City in some of the key positions, specifically Chris Andrews as the program management director, as well as Jack Martin as the chief financial officer, clearly recognized that there was a need for additional arms and legs in several of the departments to help carry out restructuring initiatives.

Clearly Conway MacKenzie professionals are at certain rates and we did not necessarily need Conway MacKenzie professionals to perform those duties, and so we were asked to help identify other resources that could be provided under our contract in those roles.

Pg: 13 Ln: 9 - 17

Designation:

Q. It's my understanding that the fixed fee, so to speak, that Conway MacKenzie can be paid has been expanded by the amendment to a little over $19 million, is that correct?

A. That is the total cap, which includes the Impact amount, yes.

Q. So it's not incremental to that, the Impact subcontract is included within the $19 million?

A. That's correct, Impact is included in the $19 million.

Pg: 14 Ln: 2 - 20

Designation:

Q. Have you worked with them previously?

A. I have not worked with them previously, no.

Q. How did you come to form a relationship with them such that they're providing these subcontracting services?

A. There were two elements. First of all, Impact has provided resources in the past to a company that Mayor Bing was involved in, his own company, and then in addition to that, I know the owner of the company of

Impact Staffing.

Q. Who is that?

A. His name is Peter Davis.

Q. How many people from Impact are there working pursuant to the Impact subcontract?

A. That changes, not necessarily on a weekly basis, but as needs change, resources are brought on, and then also as they complete tasks, they can be taken off.

Right now, as of this day, I think there are about 10 to 12 Impact resources involved in the assignment.

Pg: 14 Ln: 21 - Pg: 15 Ln: 7

Designation:

14:21 Q. That's very helpful. Can you give me a sense of the low ebb and high tide of the Impact subcontractees over the last six months?

A. I believe the high would have been perhaps 14 at one point in time. We have generally, since the ramp-up

15: 1 occurred, meaning the original time that Impact resources were initially brought on, I don't think that we have necessarily been below nine perhaps.

Q. Okay. The contract amendment that we were just talking about was dated June 1st, 2013, is that correct?

A. Yes.

Objectors' Designations From
December 4, 2013 Deposition of Charles Moore

Pg: 15 Ln: 22 - Pg: 16 Ln: 5

Designation:

question that I meant to ask. What I meant to say is
when did the people that Impact sourced arrive on the
field, so to speak, in terms of helping you perform
services to the City?
A. I believe the first resources started work right
around the end of July.
Q. Okay. So it would have been as much as six weeks
after Mr. Orr's proposal to creditors on June 14th.
A. Yes.

Pg: 16 Ln: 6 - 15

Designation:

Q. So the work that was done pursuant to the professional
services contract between its execution in January and
the June 14th proposal, that work was all done by
Conway MacKenzie, is that correct?
A. The work from our firm, yes, sir. There were no
Impact resources involved in that.
Q. Very helpful. Okay. So you're obviously currently
performing services pursuant to this professional
service contract as amended, is that correct?
A. Yes.

Objectors' Designations From
December 4, 2013 Deposition of Charles Moore

Pg: 16 Ln: 21 - Pg: 17 Ln: 20

Designation:

16:21 Q. Just to save time I'll tell you that the contract itself says that you'll provide services and that they're defined in Exhibit A and Exhibit A says what the services are, is that your recollection of how the contract works?

17: 1 A. Yes.

Q. And the scope of services did not change with the amendment as you understand it, correct?

A. Correct.

Q. And is Conway MacKenzie performing all of the services that are described in Exhibit A?

A. Yes.

Q. Do you see that on the first page of Exhibit A, which also has got the number three on it under the contract, do you see that down at the bottom?

A. Yes, sir.

Q. Do you see that it says that one of the things that you will do is that you will work collaboratively with City of Detroit, State of Michigan, and outside professionals to develop a detailed, comprehensive work plan, do you see that?

A. Yes.

Q. Did Conway MacKenzie do that?

A. Yes.

Q. Do you know when it completed that work plan?

Pg: 17 Ln: 22 - 23

Designation:

A. The initial work plan that was established would have been completed in January of 2013.

Pg: 17 Ln: 25 - Pg: 19 Ln: 2

Designation:

Q. You said initial, are you suggesting that it's something that is constantly revised or has been revised since the initial one was completed?

A. Yes, a work plan is essentially meant to identify tasks that need to be performed and manage those tasks, and so periodically we are providing updates to the City regarding upcoming tasks.

Q. So is this one of those things where as tasks are completed, the completion of the tasks are noted, as additional tasks are added, they are added to the work plan and it's an organic living document?

A. Yes.

Q. How regularly is that updated?

A. There's not a set frequency. Sometimes, and by the way, there may be multiple items that can be considered a work plan. Our communications with the department regarding upcoming activities may take one form, our communications with say the emergency manager office may take another form. Generally speaking, every two to three weeks or so documents are updated.

Q. Is the work plan something that's available to creditors to your knowledge?

A. I'm not aware.

Q. Okay. Do you know whether you've ever been, have you ever been asked to produce it so that it could go into

19: the data room?

A. No.

Pg: 19 Ln: 3 - 13

Designation:

19: Q. Is the document structured by departments of the City of Detroit in the sense of organizing the tasks on which you are working or have worked?

A. The initial work plan that we developed was driven more towards the activities that would need to occur comprehensively, and related to those activities that were involved with coming up with the initial assessment of the various departments.

Since that time we generally update activities and communicate activities on a department by department basis.

Pg: 19 Ln: 14 - Pg: 20 Ln: 20

Designation:

19:14 Q. About how many departments are on the work plan?
A. There are, we typically, we prioritize departments, so depending on how you count the departments, there are approximately 35 departments in the City, and we tend to track anywhere from 10 to 15 as the high priority departments and track the activities in those departments.
Q. Does that mean that all 35 may be in the work plan but the 10 to 15 that you're tracking most actively may be at the front of the work plan?
A. Yes, sir, and we may exclude items, as an example, the Department of Administrative Hearings is a very small
20:1 department within the City. We have in the past documented some activities that have occurred; however, we tend not to really update that because there are very few activities occurring in that department right now.
Q. What are the 10 to 15 departments that are the ones that you referenced as being some of the most important?
A. I will go off the top of my head, but essentially you have the Police Department, Fire Department, Finance,

Building Safety Engineering and Environmental, sometimes called BC.

Q. You have to call it BC I think.

A. Planning and Development, Department of Transportation, Public Lighting, 36th District Court, Department of Public Works, Municipal Parking Department, and a couple other items that are not departments necessarily, but Human Resources and Blight. I may have left a few off but generally speaking those are the high priority items.

Pg: 20 Ln: 21 - Pg: 21 Ln: 19

Designation:

Q. You did pretty well. You have 12. Let me suggest a couple that maybe are in there that got left off. Is there one for the Detroit Water and Sewage Department?

A. Yes; however, the Water and Sewer Department is not necessarily a department per se. We view that as an enterprise fund, but yes, you're correct, I did leave off Detroit water and sewer.

Q. You're saying it's not a department of the City, it's an enterprise fund, but yes, it is one of the 10 or 15 things that we are tracking as important.

A. Yes, sir.

Q. What about as another thing that's important, pensions, is that something that -- that you are

working on at Conway MacKenzie?
A. Yes, sir.
Q. Pursuant to this contract that we're discussing.
A. Yes.
Q. Same question for OPEB.
A. I have limited involvement as relates to OPEB. I have more substantial involvement on the pension side.
Q. Is there also a pension box as one of the 10 or 15 more important items that you are tracking?
A. We do track that. We tend to track that separately as a separate work stream.

Pg: 21 Ln: 25 - Pg: 22 Ln: 18

Designation:

21:25 How many Conway MacKenzie employees are
22: 1 devoting a material amount of time to providing services under the contract? Let me tell you what I mean by material.

On restructuring matters at Kirkland & Ellis there are people who are devoting a significant amount of time on a regular basis to the restructuring. There may be other professionals that drop in for an hour or two to provide a certain level of expertise, but if you ask them are you working on this or that restructuring they would say not really, I just did a modest amount.

I'm not worried about the people that check in for just a small period of time. I'm talking about the people at Conway MacKenzie who if I asked them are you working on the Detroit restructuring, they would say yes, I am. How many of those people are there?

A. Okay. Thank you. I understand your description. It's approximately 12 to 13.

Pg: 22 Ln: 19 - Pg: 24 Ln: 3

Designation:

22:19 Q. So I'm now going to take you through the various levels that the people operate at. I'm going to assume that you are the head of the engagement at Conway MacKenzie, is that correct?

A. Yes, sir.

Q. So I'm going to call you as level one.

A. Okay.

23: 1 Q. That means the most senior.

A. Yes.

Q. Is there anyone else that's up at level one with you?

A. There are two people that provide input and strategy guidance with me and those two are Van Conway and Don MacKenzie. They are not included in the 12 to 13 people that I mentioned based on your description of material involvement if you will.

Q. I take it they're the founders of the firm, Conway

MacKenzie?

A. Yes.

Q. Is it fair to describe these two gentlemen as experienced individuals who are providing you their wisdom and insight as to how Conway MacKenzie should perform but who are not otherwise working day to day on the City's restructuring?

A. Certainly the first item that you mention; however, they are very active and have been very active their entire lives in the city, and so there are other items that they bring to bear on the engagement as well.

Q. Fair enough. Let's go down to level two now. Level two will be people that report directly to you.

A. Yes.

Q. How many Conway MacKenzie employees are at level two?

A. I believe that's six.

Q. And who are the six?

A. Kevin Hand, Glenn Kushiner, Chris Gannon, Mike Hausman, Carl Sekely, and Todd Eddy.

Pg: 24 Ln: 4 - 25

Designation:

Q. Level three employees would be people that report to level two employees in my little scheme here of trying to organize the levels.

A. Yes, sir.

Q. How many level three employees are there?
A. I believe that's two.
Q. And who are they?
A. Jeff Addison and Doug Reich.
Q. By my tally we've got nine people that we've identified.
A. Yes.
Q. Is there anyone that would operate at what we could call level four, which are people that report to level three?
A. Yes.
Q. Who is at the level four?
A. There are four. Emily Petrovski, Danielle Iafrate, Mike Walsh, and Wade Johnston.
Q. Have we covered all of the folks at Conway MacKenzie that are spending a material amount of time on the City of Detroit restructuring?
A. Yes, sir.

Pg: 25 Ln: 1 - 19

Designation:

25: Q. I want to ask you the same question but about a different period of time now. So I want to ask you what Conway MacKenzie employees were devoting material amounts of time to performing services under the contract between the date of the contract's execution and June 14th, 2013.

A. Yes, sir. Of the people that are listed, that would have been myself along with Kevin Hand, Glenn Kushiner, Chris Gannon, Emily Petrovski, and Danielle Iafrate.

Q. That tallied six people if I got it correct.

A. Yes, sir.

Q. Is it a fair characterization to say that in the initial stage of its contract, Conway MacKenzie had a team of six people working to develop a restructuring plan and it is now significantly -- it has now expanded that team to 13 to help implement that restructuring plan?

A. I think that's a fair statement.

Pg: 25 Ln: 20 - Pg: 27 Ln: 25

Designation:

25:20 Q. Let me ask you this, just some specific questions about the six folks who are working between January and June if I could. Mr. Hand, how old is Mr. Hand?

A. 42.

Q. What is his position at Conway MacKenzie?

A. Managing director.

26: 1 Q. What does it mean to be an MD at Conway MacKenzie? And what I mean by that is titles mean different things at different firms. For example, my firm has equity partners and non-equity partners, and it has associates; so you could hierarchize them that way.

Can you tell me where a managing director fits into the hierarchy at Conway MacKenzie?

MR. HAMILTON: Object to form.

You can answer.

A. A managing director has significant experience in the restructuring industry and has led engagements, has the ability to essentially develop comprehensive restructuring plans.

BY MR. HACKNEY:

Q. Okay. He's someone who could sit first chair, so to speak, on a restructuring matter if need be?

A. Yes, sir.

Q. Is the only higher position than managing director at Conway MacKenzie principal?

A. Senior managing director is the other title that we have. That's what I am. We don't have the title of principal.

Q. How long has Mr. Hand been at Conway MacKenzie?

A. Since 2001.

Q. Let's talk about Mr. Kushiner if we could, how old is

27: Mr. Kushiner?

A. I believe he is 38.

Q. What's his position?

A. Managing director.

Q. And how long has he been with Conway MacKenzie?

A. Since 2001.
Q. How old is Chris Gannon?
A. 41.
Q. Is he also a managing director?
A. Yes.
Q. And how long has he been with Conway MacKenzie?
A. I believe 2007.
Q. How old is Emily Petrovski?
A. She is 34.
Q. What's her title?
A. Senior associate.
Q. How long has she been there?
A. I believe 2003 or 2004.
Q. And Ms. Iafrate, how old is Ms. Iafrate?
A. I believe she is 26 or 27.
Q. What's her title?
A. Senior associate.
Q. And do you know how long she's been at Conway MacKenzie?
A. Since 2012.

Pg: 28 Ln: 1 - Pg: 30 Ln: 4

Designation:

28: Q. Mr. Moore, prior to this case you had never been retained by a Chapter 9 debtor before, is that correct?

A. Not by a Chapter 9 debtor, correct.
Q. And Conway MacKenzie had never been retained by a Chapter 9 debtor either to your knowledge, isn't that also correct?
A. To the best of my knowledge that's correct.
Q. Prior to this case you had never personally worked on restructuring a police department before, had you, sir?
A. That's correct.
Q. And to the best of your knowledge, neither had Conway MacKenzie, correct?
A. To the best of my knowledge, correct.
Q. And to the best of my knowledge, Mr. Hand, Mr. Kushiner, Mr. Gannon, Ms. Petrovski and Ms. Iafrate had never worked on restructuring a police department before either, is that correct?
A. That's my understanding.
Q. Now, prior to this case you had never personally worked on an assignment that required to restructure the operations of a fire department either, isn't that correct?
A. Correct.
29: Q. And that's also correct for the five individuals I just described to the best of your knowledge.
A. I believe that's correct.
Q. And it's also true with respect to Conway MacKenzie to the best of your knowledge.

A. To the best of my knowledge, yes.

Q. Prior to this case you had never been tasked with formulating a blight remediation plan, isn't that correct, Mr. Moore?

A. That's correct.

Q. Nor had Conway MacKenzie, correct?

A. To the best of my knowledge, yes.

Q. And nor to the best of your knowledge had any of the five individuals I just ticked off in connection with the police department question, isn't that correct?

A. That's correct.

Q. Is it correct to say, Mr. Moore, that Conway MacKenzie started working in earnest on the scope of work described in Exhibit A around the time that its contract was executed with the City?

A. Yes, that would have been January of 2013.

Q. I know that prior to that time you had been doing some pro bono work with respect to cashiering exercises, is that correct?

A. Yes, sir.

30: Q. But when it came in earnest to performing the services in this contract, that began sometime in January of 2013, correct?

A. Yes.

Pg: 30 Ln: 5 - 13

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

30: 5 Q. Do you remember the day that you began? I can tell you when the contract was signed --
A. The contract was signed I believe January 9th. The contract was January 9th, and I believe that we would have begun onsite work within one week of that, perhaps within a few days.
Q. So as soon as January 11th you may have been at it for the City of Detroit.
A. Yes.

Pg: 30 Ln: 14 - 17

Designation:

30:14 Q. I'm going to focus these questions now on the period between January 11th and the June 14th proposal to creditors, if I can, so bear that time frame in mind when I'm asking you these questions.

Pg: 30 Ln: 18 - 20

Designation:

30:18 What individuals outside of Conway MacKenzie did you rely upon in performing your work during that time period?

Pg: 30 Ln: 23 - Pg: 31 Ln: 1

Objectors' Designations From
December 4, 2013 Deposition of Charles Moore

Designation:

30:23 A. First of all, we worked very closely with people that are employees of the City, and there are a whole host of employees that we interacted with as we conducted our work.

Pg: 31 Ln: 3 - Pg: 32 Ln: 4

Designation:

31: 3 Q. Anyone else?
A. There are other outside advisors that we worked with. Just to name a few of the firms, the Manhattan Institute was a police-specific expert that was engaged by the Detroit Police Department that we interacted with.
Plante Moran had been engaged in a variety of activities related to the Finance Department. Ernst & Young had been performing a variety of financial activities for the City for a while, certainly Miller Buckfire as the investment banker, essentially Jones Day was involved, we interacted with Miller Canfield as counsel.
There may have been other outside advisors as well but those would have been the primary other advisors that we would have interacted with.
Q. One that comes to mind is Milliman?

A. Yes, sir.

Q. Is that one that you worked with?

A. Yes.

Q. I know there are, I think there are PR firms and there are a number of consulting firms, I've seen all the contracts on the website, have you been able to give me the material firms that you spent a material amount of time working with during that time period I identified earlier?

A. I believe that's the complete list, yes.

Pg: 32 Ln: 5 - Pg: 33 Ln: 2

Designation:

Q. Can you give me a sense of how many City employees Conway MacKenzie interacted with between January and June, the January and June time frame I identified earlier?

A. This would be a very rough estimate, somewhere between 50 and a hundred.

Q. Am I correct that you talked to the heads of the departments or enterprise funds that we described earlier as important as part of performing your work?

A. Certainly they would have been included in that group of people.

Q. When you referenced the Manhattan Institute, the police expert, do you know when they were retained?

A. I don't know.

Q. Were they already on the site, onsite when you were retained?

A. Yes.

Q. They were there before you?

A. Yes.

Q. And when did you start interacting with them?

A. I don't know what the specific date would have been. It would have been somewhere between January and April.

Pg: 33 Ln: 3 - Pg: 34 Ln: 5

Designation:

33: Q. Okay. And tell me what the -- tell me how your two firms worked together.

A. Sure. Conway MacKenzie is tasked with preparing a comprehensive restructuring plan, operational restructuring plan, police is obviously a very important department of the City.

As you have pointed out, Conway MacKenzie does not have resident policing expertise within our firm; however, a significant amount of the activities that, and deficiencies, if you will, that were identified with the department relate to organizational effectiveness.

And so Conway MacKenzie would have

interacted with Manhattan Institute. Where Manhattan Institute has very specific policing and policy type of expertise, Conway MacKenzie brings the organizational expertise, and together we jointly prepared a comprehensive restructuring plan for the department.

Q. In terms of actual day-to-day work, were the Manhattan Institute people attending interviews and onsite in the Detroit Police Department with the Conway MacKenzie people?

A. In the initial time period that you mention, that interaction was more limited, then around June or thereabouts there was a new contract with the Manhattan Institute and the Bratton Group together where that interaction became very, very frequent.

Pg: 35 Ln: 2 - Pg: 36 Ln: 9

Designation:

Q. Can you give me a sense, if you know, of about the approximate amount of time spent by Conway MacKenzie with the Manhattan Institute?

A. I don't know.

Q. Do you know if it's in the hundreds of hours or is it materially more or less than that?

A. I couldn't even hazard a guess.

Q. They were working under a contract during that January

to June time period, is that correct?
A. Yes.
Q. Do you remember the amount of their contract?
A. I don't know.
Q. Do you know the amount of their contract after it was renegotiated in June?
A. I think it was somewhere between 500,000 and 750,000 if I recall correctly, but I don't have the precise number, so that is a -- a rough guess.
Q. Is it your understanding that that represented an increase in the amount that they would be paid as compared to the prior contract?
A. I don't know.
Q. Between January and June did Conway MacKenzie liaise with a fire expert that's similar to the Manhattan Institute as a police expert?
36: A. Possibly.
Q. Did you?
A. I myself did not.
Q. To your knowledge did anyone at Conway MacKenzie do so?
A. That's where I'm not sure. Eventually the City engaged a fire expert similar to Bratton and Manhattan on the police side. That occurred after the time period, after June 14th.

Pg: 36 Ln: 10 - Pg: 38 Ln: 14

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

36:10 Q. In fact, didn't that just occur in October?

A. I believe that's correct, October of this year, yes.

Q. Did Conway MacKenzie liaise with a blight remediation expert during that January to June 2013 time period?

A. Conway MacKenzie interacted with a number of people that had been involved in blight remediation activities, yes.

Q. Were they people that had been formally retained by the City to provide services?

A. In some instances those were City employees. In other instances they were outside groups that were undertaking blight removal efforts.

Q. And those are outside groups that are local in the city of Detroit?

A. Yes. I did interact with some resources that were involved with those groups that actually came from

37: 1 outside of the city but through those groups.

Q. I guess what I mean to say is, did you ever, did Conway MacKenzie ever liaise with a blight remediation expert that is similar to the Manhattan Institute as an expert on police departments?

A. I would say yes, there were a variety of parties that we interacted with that have substantial experience with blight remediation.

Q. And do they do so for hire?

A. Yes.

Q. And who are they?

A. Well, as I indicated, first we interacted with City employees that were involved with blight remediation efforts, and there are a variety of employees.

The City has been undergoing some level of blight remediation for quite some time, and so certainly the employees that were involved in those activities primarily through the Planning Department, as well as a few of the other supporting departments, we had discussions with those people.

In addition to that we had discussions with people at the State of Michigan level that were involved in efforts to try to bring blight aid and remediation efforts to a number of cities in the state of Michigan, and those people had experience with

38:

hiring contractors and executing on blight remediation work.

In addition to that there is what is referred to as the Blight Authority, which is a local nonprofit that was set up in 2012, and undertook two projects, one near the Eastern Market area, and one in the Brightmoor area, and so we certainly had a number of interactions with the Blight Authority.

And then there were other parties, local parties, that were involved with blight remediation, John Hantz, but I believe that that interaction

probably occurred after June 14th.
Q. Okay.
A. And there may have been others as well.

Pg: 38 Ln: 19 - 24

Designation:

38:19 Were there any other firms that are like the Manhattan Institute with which Conway MacKenzie interacted in order to obtain department-specific advice about how you might restructure that department or that enterprise fund as the case may be?
A. Yes.

Pg: 39 Ln: 3 - 5

Designation:

39: 3 Q. Who else?
A. Parsons Brinckerhoff. I believe that's spelled B-R-I-N-C-K-E-R-H-O-F-F.

Pg: 39 Ln: 12 - Pg: 40 Ln: 14

Designation:

39:12 Q. Any other firms?
A. There were outside individuals involved related to the Lighting Department. I can't recall a specific firm

name, but individuals that were involved with helping run the department, Public Lighting Department.

Q. Anyone else?

A. On the parking side there are a couple of outside firms that the City uses, Pierce Monroe & Associates and Duncan Systems.

Q. Anyone else?

A. On the Human Resources side there were a variety of parties that were involved with the City. One party that I believe that we would have been speaking to back during the relevant time period that you mentioned, January through June 14th, company by the name of Fox Lawson, that's not the official legal entity name but that's what they go by. Fox Lawson would have been involved, outside staffing agencies that had done work for the City in the past, a quasi governmental unit of the city, Detroit Economic Growth Corporation, related to Planning Department.

There was a firm that was doing work related to the 36th District Court operation underneath S-C-A-O, which stands for State Court Administrator's Office. I can't recall the name of that firm right now.

That is what I recall off the top of my mind.

Pg: 40 Ln: 20 - 25

Objectors' Designations From
December 4, 2013 Deposition of Charles Moore

Designation:

The question is, were there any subject matter experts from whom you sought advice that were not operating under any sort of formal or informal arrangement with the City?

A. That may have been the case, I just don't recall off hand.

Pg: 41 Ln: 1 - 9

Designation:

Q. Have you ever heard the phrase "drinking from a fire hose"?

A. Yes, sir.

Q. So when I use the phrase, I use it to mean attempting to comprehend and assimilate a massive amount of information in a short period of time. Would you agree that Conway MacKenzie was drinking from a fire hose when it began its restructuring services with the City of Detroit in January of 2013?

Pg: 41 Ln: 12

Designation:

A. I think that's a fair statement.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 42 Ln: 1 - 19

Designation:

42: Q. So you had a broad task of trying to understand how to make the City operate more efficiently and effectively and you have attempted to deliver on that task by advertising Mr. Orr with respect to the restructuring and reinvestment initiatives, is that a fair statement?

A. Yes.

Q. And you developed a plan for the restructuring and reinvestment initiatives, isn't that correct?

A. Yes.

Q. And it took you approximately 90 days to create that plan, is that correct?

A. That's approximately right. We, from the time that we began, let's call it mid-January, the initial work plan that we established was for us to have a comprehensive view across departments within 90 to a hundred days, and then to meet with the departments to go through our findings and the result is what was put into the June 14th proposal.

Pg: 43 Ln: 2 - Pg: 44 Ln: 20

Designation:

43: Q. Tell me what process, what methodological process

Conway MacKenzie employed so that it could get to the point where it could advise Mr. Orr on what restructuring and reinvestment initiatives it thought the City should undertake and how much they would cost.

A. Okay. This will be a, somewhat of a broad overview, and I may leave some activities out, but our first activity, and this follows a typical approach that we would use on our engagements, is to get our arms around baseline information as quickly as possible, and that in this instance included, number one, obtaining and reviewing all previous assessments and studies and analyses that had been performed on departments.

Secondly, we had to obtain and validate how -- information on how the departments were operating at that point, and so that included looking at a number of operational metrics, trying to obtain information that could be used to assess how the department was operating, as well as financial information.

In addition to that, we prioritized where we felt the biggest issues existed and where the most

44: significant impacts could be felt from restructuring. We worked on trying to establish a vision for how a department should operate and then identify what needed to happen in order to take the department from its current state to that vision.

Q. And was that the last step, the one that involved creating the restructuring and reinvestment initiatives?

A. Yes. And so specifically in that regard we worked very closely with City employees, as well as a number of the other outsiders from mid-January until the end of April.

During the month of May then we did comprehensive reviews of the highest priority departments with City employees to show them all of the various initiatives that had been identified and we refined that based on an iterative process with the City, as well as outsiders, and the results that we ended up with was the restructuring and reinvestment plan that was included in the June 14th proposal.

Pg: 44 Ln: 25 - Pg: 46 Ln: 12

Designation:

44:25 Q. I think I may have misunderstood that 90-day answer,
45: 1 because I had thought that after the end of the 90 days that you had the restructuring and reinvestment initiatives recommendation in hand such that it could be made to Mr. Orr. I understand it might be reviewed and considered by other people, but I thought that you had driven your process to that point in 90 days, is

that wrong?

A. Let me clarify. At the basically May 1st time period we had restructuring initiatives that could be reviewed with a variety of people at the City, so these were our recommendations, which did get included, or did get reviewed with Mr. Orr, as well as a variety of others, but they were refined, as we reviewed these, we obtained input and feedback from people within the City, and we then finalized what was included in the creditor proposal.

Q. Let me distinguish two concepts and make sure I understand what went into that comprehensive review that you did by May 1st. There's one concept which is you could say we need to buy more Tasers, buy more bullet proof vests, improve facilities for the Police Department; another concept is sizing how much that might cost; had both those things been done subject to refinement, but had both the qualitative tasks and the estimated costs been done at the time of the May 1st comprehensive review?

A. Yes.

Q. Were the numbers subsequently refined between May 1st and June 14th?

A. Yes.

Q. Did you have a document that you put together that people could actually read as you were doing these reviews with the different departments?

A. Yes.
Q. Do you know if that document's been made available to the creditors in this case?
A. I don't know.

Pg: 47 Ln: 16 - Pg: 48 Ln: 14

Designation:

47:16 Q. Tell me a little bit about how Conway MacKenzie generates work product. Does it operate by E-mail or does it write memoranda or write PowerPoints or do all of the above in connection with this process that we're discussing?
A. All of the above, depending on the situation.
Q. How did you present the comprehensive review on May 1 if it was not mainly by PowerPoint?
A. The reviews began around May 1st, I believe whatever the first Monday in May I believe is when we began
48: 1 that process. We would typically have a couple of documents that would get reviewed with department individuals and anyone else that would have been involved in a particular department, and the documents that would get reviewed would include Word documents that had summaries of items, as well as Excel spreadsheets showing projections and the financial impact of various restructuring initiatives.
Q. I'm not sure that I understood -- I think I got five

different steps when you were giving me sort of the broad work flow, which was very helpful by the way. I didn't get to write them down all verbatim but I'm going to try to give them back to you as I understood them.

Pg: 48 Ln: 18 - Pg: 50 Ln: 10

Designation:

48:18 Q. The first step was get Conway MacKenzie's arms around baseline information, the second step I understood was obtain and validate information relating to the departments.

I'm going to ask you, I didn't quite follow the distinction between those two steps. I don't think I said it quite right there.

A. Correct, that was not correct the way you stated it.

49: 1 Step one was to, first of all, obtain all of the information that existed at that point regarding the department, and as an example, in the past there have been a variety of analyses that have been conducted by outside consultants on issues that may exist within a department. And so we wanted to make sure that we obtain and reviewed all information that existed relative to how a particular department was operating.

The second item, which is really I think what you were getting at when you said the first item, was we needed to establish how the department was operating at that point, and that included obtaining operational information, as well as financial information.

Q. Okay.

A. From the department itself.

Q. Okay. I understand that better I think. Let me restate it to you and see if the way I restate it is accurate.

The first stage was to understand, was to understand what I will call meta information about departments, which was analyses that had already been done about what could be done to the departments to make them work better.

A. Yes.

50:

Q. The second stage was to actually understand from the departments themselves how they were actually performing the services that they're supposed to render presently.

A. Yes.

Q. Can you give me a sense of how many reports there were that you reviewed in that first stage? I've heard about some like I think McKinsey was a consultant that was retained, maybe we can start with a general sense of how many of them are out there.

Pg: 50 Ln: 14 - Pg: 53 Ln: 9

Objectors’ Designations From December 4, 2013 Deposition of Charles Moore

Designation:

50:14 Q. Well, that's a fair question. Your declaration I think is based in part on your own personal knowledge but I think it's also based on knowledge that's known to other people.

So when I ask you what did Conway MacKenzie do, I mean either what did you do personally or what did other people tell you they had done. Okay?

So why don't I simplify it for this purpose and say to your knowledge how many of these reports are out there that go into that step one process that we were just talking about?

A. Very difficult to estimate. It was a lot. Just the

51: McKinsey reports alone were significant. A rough guess of reports that our firm would have reviewed, maybe 40, 40 to 50.

Q. And we're talking about sizeable reports in their own right, correct?

A. They varied. Some were pretty substantial, some were shorter, and that's a rough estimate.

Q. How long did it take for Conway MacKenzie to complete what we're calling stage one of the broad work flow that you described?

A. These steps that I indicated were not necessarily sequential. There is a lot of overlap that takes place; so we were, I like to characterize that first step as leveraging what information already exists, and we may have gotten started with certain departments in terms of that step two right away and then for subsequent departments looked at some of these reports that, the meta data as you say subsequent to that. So there was not a specific end date for that first step.

Q. Fair enough. It wasn't like you all went into conference rooms and read all the reports first. You said I know I'm going to need performance data, so let's you go start getting that, at some point I want you to read what's been previously been done and they

52:

moved in parallel in some circumstances.

A. That's right. And in many instances we go back and rereview these reports again, because after you have a chance to interview a number of people it can shed, or cast a different light on some of the topics in those reports.

Q. Okay. That's very helpful. Thank you for clarifying my misunderstanding between one and two. I think it relates to my poor note taking skills.

Now, stage three I think I did get right, which was, stage three was identify and prioritize the most significant issues. Do you remember that testimony?

A. Yes.

Q. It is fair, isn't it, to say that at least with respect to any one department you needed to complete stages one and two with respect to that department before you would be in a position to identify and prioritize the most significant issues, fair statement?

A. Again, I would say it was more of an iterative process. There -- the City has extremely poor systems, so this is not a situation where you can request operational information and have someone provide that to you in a day or even a week.

53: So what we would do is we would obtain the information that we could, review that, assess priorities and key issues, but in the meantime there typically would be a lot of information that would not be readily available that we would have to try to get in other ways.

And as we would get additional information, we might reassess priorities; so again, an iterative process.

Pg: 53 Ln: 10 - Pg: 54 Ln: 2

Designation:

53:10 Q. Let me see if I can restate that so I understand it. You may have had to, while the process of obtaining information about a department's performance may have continued even after you reached the point of

identifying and prioritizing the most significant issues in any department, you did have to have at least some sense of how that department was actually performing prior to identifying the priorities?
A. Yes.
Q. That's a fair statement?
A. Yes.
Q. Now, step -- stage four that I wrote down was you have to establish a vision for each department, in an aggregate, the City, correct?
A. Yes.
Q. And then stage five is identify what needed to be done to achieve that vision.
A. Yes.

Pg: 54 Ln: 3 - Pg: 55 Ln: 3

Designation:

54: 3 Q. Let's try and go at this the other way, which is can you tell me when you began stage five, which is identifying what needed to be done to achieve the vision that you had articulated to the City?
A. Again, it's difficult to think about this as a sequential set of activities. There were items that after step one, when you review multiple reports and you see the same things over and over and over, in some instances you know pretty quickly what some of

the items are that need to happen to fix whatever the issue is that exists today.

So as it relates to identifying restructuring initiatives, some of those had been identified multiple times in the past and for whatever reason had not been implemented, and typically the situation, the issue would still exist and perhaps in many instances have gotten worse.

Q. Fair enough. So what you're saying is you're going through this process, it's intrinsic that you start having ideas about what the City may need to do to improve itself.

A. Yes.

Q. It's not like you get all the information first and then then think about what the City may need to do. You're having ideas on that subject as you go along.

A. Yes.

Pg: 55 Ln: 4 - Pg: 56 Ln: 10

Designation:

55: 4 Q. Let me ask it about establishing a vision though. Was that, that was stage four, which is establish a vision for what the departments in the City needed to do.

A. Yes.

Q. When did you start that process?

A. That would have been essentially as we started to interview people within the departments, understanding, and doing a lot of other research as well, understanding how relevant comparables looked.

As an example, if this function in a different municipality is operating a certain way, using that to determine is that a good benchmark, and so through research, as well as the interviews with the department individuals, that process was going on during that 90 to 100-day period.

Q. That's helpful, because let me see if I understand what you're saying. What you're saying is, after you learn about, a lot about how the City of Detroit is currently operating via its departments, as well as how various individuals, including Conway MacKenzie, think that could be improved, you need to come up with a benchmark that establishes what level of improvement

56: 1 you ought to try to achieve.

A. Yes.

Q. That's what you mean by establish a vision.

A. Yes.

Q. Okay. That's very helpful. In the course of performing the activities that fall under the broad five-stage process that you described, Conway MacKenzie looked at pretty much every area of the City's operations, isn't that correct?

A. Yes.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 56 Ln: 11 - Pg: 58 Ln: 15

Designation:

56:11 Q. Now, I know that you were working with other people, subject matter experts and so forth, but do you agree that Conway MacKenzie itself in order to render its advisory services to the City had to make sure that it understood the issues facing each of the departments it was reviewing?
A. Yes.
Q. So for example had to restructure the Fire Department, correct?
A. Yes.
Q. That meant had to understand the problems facing the Fire Department, right?
A. Yes.
Q. Had to talk to firefighters, right?
A. Yes.
57: 1 Q. Had to review reports on firefighter effectiveness, right?
A. Yes.
Q. On a host of different metrics?
A. Yes.
Q. Had to understand how blight affected fire operations, right?
A. Yes.
Q. Had to assess the vehicles in the fleet and the

maintenance schedules, correct?
A. Yes.
Q. Had to evaluate the number of uniforms versus civilians that were manning positions in the Fire Department, correct?
A. Yes.
Q. And it had to come up ultimately with recommendations aimed at dramatically improving the Fire Department's effectiveness, correct?
A. Yes.
Q. And it had to do all of those things as well with respect to the Police Department too, right?
A. Yes.
Q. It also had to study the problem of blight in the city of Detroit, right?
A. Yes.
58: Q. That's a massive problem, isn't it?
A. Yes.
Q. It had to study the assessor's office, correct?
A. Yes.
Q. Had to understand how the City conducts valuations and the accuracy of those valuations, correct?
A. Yes.
Q. Had to assess the City's collection of real estate taxes, right?
A. Yes.
Q. Had to assess the City's collection of income taxes?

A. Yes.

Q. Had to assess the Detroit Department of Transportation?

A. Yes.

Pg: 58 Ln: 16 - Pg: 59 Ln: 2

Designation:

Q. Had to understand how DDOT subsidies work?

A. A subsidy is by its nature whatever the department is operating at with a deficit.

Q. It had to understand what the subsidies were and what they could be used for, correct?

A. There's not a -- a subsidy is more, when you're talking about DDOT, whatever the deficit is for the department, that is the subsidy. There is not a specific amount given in the form of a subsidy that is used for specific purposes.

Q. I see. It's the deficit is the subsidy.

A. Yes, sir.

Pg: 59 Ln: 5 - Pg: 60 Ln: 14

Designation:

Q. I thought DDOT got subsidies perhaps from other agencies though outside of the city of Detroit, is that wrong?

A. You may be referring to more grants.
Q. That could be a better word for it.
A. Yeah. DDOT certainly receives a number of grants, including from federal sources. The subsidy as it relates to DDOT is, as I mentioned, the deficit which the general fund of the City has to cover.
Q. That's very helpful. Okay. Thank you for explaining to that me. Maybe I can ask the question better now that I inside what I'm talking about.
As part of the DDOT review, you had to understand the existence of state or federal grants, what they were, how much they were and how they could be used, correct?
A. Yes.
Q. You also had to understand what the subsidy was presently from the City of Detroit and what it was forecasted to be in the future, correct?
A. Yes.

60:

Q. You also had to understand, for example, how DDOT, what DDOT's fares were and whether increases would generate revenue, correct?
A. Yes.
Q. You also had to understand the labor policies in the City of Detroit, correct?
A. Yes.
Q. And understand all of its collective bargaining agreements, right?

A. Yes.
Q. How many does it have?
A. Approximately 46.
Q. So a lot.
A. Yes.

Pg: 60 Ln: 15 - Pg: 61 Ln: 3

Designation:

60:15 Q. Okay. And how many unions are there?
A. I don't know how many specific unions there are, because there are some locals that essentially are handled together for negotiations.
Q. You had to understand how the collective bargaining agreements might be impacting the delivery of services in the city of Detroit, correct?
A. Yes.
Q. That's with respect to all 46 of those CBAs, right?
A. Yes, and I would just point out, recall that we did prioritize activities, so we would not necessarily
61: 1 spend time on a collective bargaining agreement that involved five people, versus one that may have involved 3,000 people.

Pg: 61 Ln: 18 - 24

Designation:

Q. Fair to say that you would have tried to understand the important ones?
A. Yes, sir.
Q. And try to understand the important ones and their impact on the delivery of services by the unions that operated underneath them?
A. Yes, sir.

Pg: 61 Ln: 25 - Pg: 62 Ln: 2

Designation:

Q. And about how many of the 46 would you fairly characterize as important?
A. How do you define important?

Pg: 62 Ln: 5 - 19

Designation:

Q. Let's say important can be measured either by reference to governing a lot of people or relating to a particularly important area of the City's performance.
A. Within the Police Department there are three primary collective bargaining agreements between the DPOA, DPLSA, and DPCOA, and then within fire you have the DFFA. Between those two you're talking about 3500 to 4,000 employees. On DDOT, I think you have

approximately 900 employees. Those items alone represent about half of the employees of the City of Detroit.

So we certainly would have spent a good amount of time on those. As you work your way down, the CBAs cover fewer people.

Pg: 62 Ln: 20 - Pg: 63 Ln: 6

Designation:

62:20 Q. Let me stop and ask you about CBAs, because I will tell, I'll confess to you in connection with your deposition, I haven't read any of the CBAs yet, but it's my understanding that they're highly negotiated documents that contain a lot of regulations that relate to what an employee can or cannot do under the
63: 1 collective bargaining agreement. Is that a fair statement?
A. It is a fair statement. They're also, very oftentimes there's arbitration that occurs over these as well, and so there are rulings that come out of arbitration that also get incorporated into the overall contract.

Pg: 63 Ln: 7 - Pg: 64 Ln: 7

Designation:

63: 7 Q. Is it true that in order to improve the services that the City provides that what we'll describe as its important collective bargaining agreements along the lines of how I just defined will need to be modified in order to allow for that enhancement to occur?

A. I don't think that that's a fair statement.

Q. You don't think so? How come?

A. I think that there are a number of things that can happen to improve how the City government operates before you even start talking about collective bargaining agreements, that is an important element, but it is not a precursor to all of the improvements.

Q. That's a fair correction of my question, which is to say it's not the only way to improve the provision of services, right?

A. That's correct.

Q. You can spend money on the departments and leave the collective bargaining agreement in place and hopefully improve that department, right?

64: A. Yes.

Q. But modifying the collective bargaining agreements is one way to improve the services, correct?

A. Depending on the department, yes.

Q. And it can be an important way to improve the services, depending on the department, correct?

A. It could be, yes.

Pg: 64 Ln: 8 - 13

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

64: Q. Wouldn't you agree that as part of your work in order to meaningfully advise Mr. Orr on how to improve City services, you did need to understand which of the CBAs were of the category that where modifications might play an important role in improving services?
A. Yes.

Pg: 65 Ln: 3 - 16

Designation:

65: Q. Okay. So Conway MacKenzie's tracking how those guys were doing, it's not in the lead role in terms of understanding how best to handle lighting.
A. That's right.
Q. And by the way, lighting and the grid are technically two different things, but I assume they go together for purposes of the question I just asked you?
A. Yes, sir, that's fine, we can take it that way.
Q. Yeah. I just didn't want to leave the -- I had started asking you about the grid and we shifted over to talk about lighting, but your answers would be the same whether I asked you about the grid or about lighting.
A. Yes, sir.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 65 Ln: 17 - 25

Designation:

65:17 Q. You had to -- Conway MacKenzie did have to study the
EMS services, correct?
A. Yes.
Q. Those were the emergency medical services, right?
A. Yes.
Q. Those are the guys that drive the ambulances, right?
A. Yes.
Q. Understand everything there was to know about their
effectiveness in delivering services, correct?

Pg: 66 Ln: 3

Designation:

66: 3 A. Yes.

Pg: 66 Ln: 5 - Pg: 68 Ln: 4

Designation:

66: 5 Q. You had to understand issues relating to homeland
security as well, right?
A. A fair amount, yes.
Q. By homeland security, I take it you mean the federal
Department of Homeland Security?
A. Yes. There is an element, this is something that we

specifically did not spend much time on, but when we talk about public safety, public safety typically would include police, fire, EMS and Department of Homeland Security.

Q. I think I understand that in the sense that, because the Department of Homeland Security as I understand it doesn't have guys that run around and keep us all safe, they liaise with other departments, as I understand it, the federal Department of Homeland Security.

So tell me what you mean when you include the Department of Homeland Security, which is a federal agency with three other things that are very clearly City departments. I know that it does impact safety but I just want to understand what you mean by

67:

including it with the other three.

A. I think you actually stated it well, which is, obviously with Detroit being a border town with another country, the Department of Homeland Security is an important element here. The public safety resources that exist within the City may be impacted by the Department of Homeland Security.

Understanding that is one aspect, we were not involved in doing anything else other than just having a general understanding of how the Department of Homeland Security comes into play, especially as it relates to the City of Detroit.

Q. I see. So let me see if I can state it in a way that is accurate and that you agree with, which is, the Department of Homeland Security may promulgate some regulation that says in the event of a nuclear attack, this is how first responders need to conduct themselves, just as an example. I'm making that up as an illustrative example.
A. That's correct.
Q. Although I do hope we have a plan like that. Your job was to make sure that you were considering the way that plan could affect the provision of services by these departments that you were studying, is that right?
68: A. Yes.
Q. So that's why you included it in your description of things that impact public safety.
A. Yes.

Pg: 68 Ln: 5 - Pg: 69 Ln: 25

Designation:

68: Q. You also had to study the Detroit Water and Sewage Department, correct?
A. Yes.
Q. And my understanding that throws off something like a billion, in excess of a billion dollars in revenue total, is that correct?

A. Yes.

Q. And the City's general fund is, entails revenues in excess of a billion dollars, correct?

A. Approximately a billion to a billion one, depending on if you are including some gross or net items, we always view the general fund revenue as between a billion and a billion one.

Q. With respect to the DWSD, you had to understand not only how it was performing -- right? -- but also whether or not it might be monetized, is that correct?

A. Just as a point of clarification. I believe that we are still talking about the January through June 14th time period.

Q. We are.

A. During that time period we did not have any involvement with DWSD. Our activities, the activities that we were requested to undertake related to DWSD began in July.

Q. So you had not studied prior to the proposal to creditors ways to improve the services of the DWSD?

A. DWSD, there's an important element. Because it operates as an enterprise fund, they -- unless an enterprise fund would -- the Department of Transportation is an enterprise fund; however, it operates at a deficit, and so the general fund has to subsidize that operation; so we included DDOT within our activities because of the subsidy that comes from the general fund.

DWSD does not operate at a deficit. The surplus, however, cannot flow to the general fund, and so the proposal to creditors was based on a general fund projection, and as a result, the subsequent activities occurred related to the enterprise fund operations of the water and sewer funds.

Q. Oh, I see. Okay. So the one thing that was making money was not, was an enterprise fund that you were not focused on between January and June, there were enterprise funds that you were looking at like parking and DDOT where they run at a deficit.

A. Yes.

Pg: 70 Ln: 22 - Pg: 71 Ln: 12

Designation:

70:22 Q. Another thing that you were doing personally was also understanding the pension obligations of the City of Detroit, correct?

A. Yes.

71: 1 Q. Now, you had help from Milliman as well on that, right?

A. Yes.

Q. But the pension issue is a sizeable issue in its own right, is that a fair statement?

A. Yes.

Q. And it's a complicated one, correct?
A. Yes.
Q. And you also were able to develop a sufficient understanding to advise Mr. Orr on that subject prior to the June 14th proposal as well, correct?
A. Yes.

Pg: 71 Ln: 13 - 25

Designation:

71:13 Q. Now, I ticked off a number of departments that I won't go through exhaustively, but that included police and fire and EMS, the fact of the matter is there are over a dozen more departments that I didn't specifically ask you about that Conway MacKenzie was also studying and understanding, right?
A. Yes. When you say a dozen more, that's, you know, a broad statement, but yeah, there were other high priority departments that I identified earlier on, but there are also other very low priority departments as well.
Q. You triaged, right?
A. Yes.

Pg: 72 Ln: 1 - 3

Designation:

72: Q. But you did get through all the departments prior to the June 14th proposal.
A. Yes.

Pg: 72 Ln: 4 - Pg: 73 Ln: 14

Designation:

72: Q. Now, in addition to understanding these departments, you also had to understand the appropriate benchmarks for all of these departments, correct?
A. Where it was applicable we attempted to establish benchmarks, yes.
Q. Give me an example of where a benchmark could be applicable versus one where it might not be applicable.
A. On the police side of things, certainly that was where data was fairly readily available in terms of crime statistics that we could compare the city of Detroit to other municipalities, and looking at, again because that is such a critical element, certainly half of the general fund comes from police and fire. So looking at those benchmarks was a very important process.
Q. What's an example of where a benchmark might not be applicable?
A. I don't know if it would make sense to say that there's an area that a benchmark may not be applicable. When we look at a specific department,

depending on how the department is operating, it may not be such that this is the type of information that

73: you can benchmark with other municipalities.

Q. Because it might just not be available?

A. Right.

Q. Or because they may be organized differently or something like that?

A. Yes.

Q. So let me rephrase my question, which is, you had to assess whether there were applicable benchmarks out there outside of the city of Detroit that you could use to benchmark the provision of services inside the city of Detroit.

A. In conjunction with the City we decided whether we would, for each area, try to obtain benchmarks or if for a particular area we would not.

Pg: 73 Ln: 15 - Pg: 74 Ln: 5

Designation:

73: Q. In general, I know that you can talk about a lot of specific benchmarks, and we will today in terms of case closure rates or response times, in general, was there a benchmarking level that Conway MacKenzie recommended getting the City to?

A. Generally speaking, the approach that we tried to get was to average, if you will, and I believe that's what you're referring to when you say was there a level.

Q. That is exactly right.

A. We did not, when we set out what initiatives would be undertaken, it was not to get the City to be world

74: class. You have to walk before you run.

So walking in our minds was to get to -- get the City to a minimum level of performance that would be average, if you will, when comparing to other benchmarks.

Pg: 74 Ln: 6 - Pg: 75 Ln: 4

Designation:

74: Q. Is it fair to say that the goal of the 10-year restructuring and reinvestment initiatives is to bring the City up to a level where the services it provides are consistent with national benchmarking averages to the extent they are available and applicable?

A. Not just national. What's very important actually, because someone, while someone may move from the city of Detroit to some other city in the country, what happens more often, and what has happened is people moving out of the city into surrounding suburbs, and so that becomes a very relevant benchmark.

We have to make sure that the dollars that someone pays in terms of taxes can get them commensurate services with another choice they would

have in terms of moving to another surrounding city.
Q. So you said not just national, I take it you mean we also considered trying to elevate services to average benchmarks of surrounding communities?
A. Yes.
Q. Is that correct?
75: A. Yes.
Q. And what about other comparable municipalities, was that another source of average benchmarking?
A. Certainly.

Pg: 75 Ln: 5 - Pg: 76 Ln: 15

Designation:

75: Q. Other than those three things, national averages, surrounding Detroit municipality averages, and other comparable municipality averages, any other types of averages that you would have used as a benchmark?
A. Well, the department personnel typically would provide input as well in terms of where they felt the City department would need to be in terms of how it performed.
Q. So you appropriately qualified my question to you by saying it wasn't just national averages, so thank you for that. The part of my question though was that the time frame for achieving whatever average the City is trying to achieve, subject to your qualification, is

that by the end of the 10 years hopefully all of the City services will meet up with whatever average they are seeking to attain.

A. I would qualify that statement in that we did not set out the target to be there in 10 years. We think it's very important, every trend that you look at for the City has been declining, whether it's population loss or any other items that you look at. Those have to be

76: fixed soon.

For people to be attracted to live or locate their businesses in the city, it's not a very good proposition to lay out in 10 years we're going to be average. So while our plan covered 10 years, it was not the goal that we were going to take 10 years to get to average.

Q. What is the -- what is the hope with respect to when Detroit will achieve average level of service provision irrespective of which particular benchmark average we're talking about?

A. It depends on the area. Some areas we are going to be able to get there sooner rather than others. Others there's a very comprehensive set of activities that needs to occur that will likely take years.

Pg: 76 Ln: 16 - Pg: 78 Ln: 2

Designation:

Q. The hope is to get as many of the services up to the appropriate average in a time period that is far shorter than 10 years, fair statement?

A. Yes.

Q. And that's the goal that the restructuring and reinvestment initiatives are driving at, correct?

A. Yes.

Q. Isn't it a fair statement that the current service level provision in the city of Detroit would rank near the bottom of whatever scale it was that you were determining the average that was its benchmark?

A. We did not come across anything where Detroit was stellar.

Q. But isn't it true, it's not just that it's not stellar, I think that's certainly a true statement, but that it's in your view it's operating near the bottom of any list that you would compile of the different types of service provision?

A. I think that's true.

Q. And what you are seeking to do and what the City is seeking to do with the restructuring and reinvestment initiatives is lift it from the bottom up to the average, correct?

A. Yes.

Q. Is it fair to say that that is a challenging task?

A. Certainly can be.

Q. And it will be in the City of Detroit, right?

A. The City has a number of things that position it to deal with those challenges better than it has in a number of years.

Q. Do you know of any other city in the United States that's ever made a similar level of improvement?

A. We have not researched that, so I don't know off hand.

Q. So I take it you don't know what it would have cost any other city to undertake a similar level of
78: 1 improvement.

A. Correct, I would not know that.

Pg: 78 Ln: 3 - 12

Designation:

78: 3 Q. When you collect information for benchmarking, how do you do it?

A. Well, there's a variety of ways. There can be publicly-available information, such as comprehensive annual financial reports from municipalities, there are some organizations that track operating statistics and you can also actually talk to the municipalities themselves.

Q. Did you do all of those things?

A. Yes.

Pg: 79 Ln: 8 - 19

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

Q. Start with the Internet, but in terms of trying to get benchmarking information, were you able to get benchmarking information on all the subjects that you needed to or were there a lot of areas where you just couldn't obtain good benchmarks?
A. In most situations we're not able to get all the information that we would like to have; so whether we're talking about a corporate situation or a municipal situation, there's always more information that you would like to have, but because municipalities are public entities, there's a fair amount of information that's out there.

Pg: 79 Ln: 24 - Pg: 81 Ln: 20

Designation:

Q. After all of the work that you did that we have been discussing so far in your deposition, you ultimately made a recommendation to the emergency manager as to what the restructuring and reinvestment initiative should be and how much you thought they would cost, is that correct?
A. Yes.
Q. Your recommendation was that the City should spend $250 million over 10 years on restructuring initiatives and a billion dollars over 10 years on

reinvestment initiatives, is that correct?
A. Yes.
Q. And was that recommendation to the emergency manager something that he accepted?
A. Yes.
Q. In fact, he accepted it and included it in the June 14th proposal to creditors, correct?
A. Yes.
Q. And that's -- that was included so that people could see how the restructuring and reinvestment initiatives would impact the City's cash flows over the next 10 years and thus inform what may or may not be available for creditors, correct?
A. Yes.
Q. Amongst other reasons?
A. Yes.
Q. When did you get to the $1.25 million number, by what date?
A. We would have finalized that in early June, sometime prior to June 14th, but that period of time between the beginning of May and June 14th is when we would have finalized that number.
Q. Now, that $1.25 billion number has not changed since June 14th, correct?
A. Correct.
Q. It is still the City's intention to pursue $1.25 billion in restructuring and reinvestment

initiatives even as we sit here in December 2013, correct?

A. Yes.

Q. Now, at the time that it made its recommendation, the City of Detroit had not yet filed for bankruptcy, correct?

A. Correct.

Q. And it was not known at that time whether the City would or would not file, right?

A. Correct.

Pg: 81 Ln: 21 - Pg: 82 Ln: 11

Designation:

81:21 Q. How did Conway MacKenzie determine how much money it thought the City should spend on the restructuring and reinvestment initiatives?

A. Well, it was a, as I say, a very iterative process, which had at its goal what does the City need to do in

82: 1 order to be able to operate effectively, and those were the recommendations that we made in order for that to happen.

Q. So is it a fair statement to say that you had the goal of making the City, you had the goal of trying to get the City to operate effectively, you made an assessment of what needed to be done to achieve that goal, and then you made an assessment of how much it would cost to achieve the things that needed to be done to meet the goal.

A. Yes.

Pg: 82 Ln: 12 - 19

Designation:

Q. In considering how much the City should spend on the restructuring and reinvestment initiatives, did Conway MacKenzie make any effort to determine how much the City had to spend? How much was available to the City to spend.

A. As it relates to the work that we did in coming up with these items, we did that without regard to what cash was available.

Pg: 82 Ln: 20 - Pg: 83 Ln: 4

Designation:

Q. Is it fair to say you were told go figure out what we need to do to achieve our goals of effective service provision, how much it will cost, and come back and tell me the answer, don't worry about what we have to work with?

A. I think that's a fair statement. Now, obviously no one said those exact words, but yes, how you have characterized it, which is go figure out what it will

take to get us to the point where we're operating
effectively.

Pg: 83 Ln: 5 - 21

Designation:

83: 5 Q. And that direction came to you from Mr. Orr?
A. It would have started actually with the people that
were involved prior to Mr. Orr's appointment.
Q. And that was, tell me that gentleman's name again.
A. Chris Andrews was the, he started off as program
management director. He moved into the chief
operating officer role. He was our primary person
with whom we interacted.
Q. And the direction that he gave you that you summarized
well for me was consistent with the direction that
Mr. Orr gave you in terms of how you should continue
doing what you were doing.
A. Yes.
Q. Mr. Orr didn't say stop, wait, you're going about it
all wrong. He allowed you to continue doing the
process the way you described it.
A. That's correct.

Pg: 83 Ln: 22 - 24

Designation:

Q. Now, you're an experienced turnaround guy and you I think live around here, is that correct?
A. Yes.

Pg: 83 Ln: 25 - Pg: 84 Ln: 6

Designation:

Q. So you were aware that the City had substantial debts, correct?
A. Yes.
Q. But your process involved putting your awareness of those debts to one side and considering what needed to be done and how much it would cost, is that correct?
A. Yes.

Pg: 84 Ln: 7 - Pg: 85 Ln: 11

Designation:

Q. Now, what role did Ernst & Young have in formulating the amount of the restructuring and reinvestment initiatives, the amount of spending over the 10 years?
A. The way that the process worked is that Ernst & Young prepared what we refer to as a baseline financial projection, which is going out 10 years, based on how the City is operating right now, what the City's financial picture would look like.
Conway MacKenzie's work product, which are

the restructuring and reinvestment initiatives, were then layered on top of that by department to then come up with what is referred to as the restructured financial projection going out 10 years. That's how that came together.

Q. And then there was a necessary third step, right? Because when you layered those things together, the City obviously operated in even deeper deficit than it did prior to the reinvestment initiatives, right?

A. Yes.

85: 1 Q. The third step was to take the unsecured legacy liabilities and back them out of the equation to see whether the City could afford the restructuring and reinvestment initiatives and to see if there was any money left over for those unsecured creditors, right?

A. Essentially, yes. It was looking at taking the revenue that was coming into the City, the expenses that would remain, the reinvestment and restructuring, and then figuring out after that what cash the City would have to pay towards its obligations. Previous obligations I should say.

Pg: 85 Ln: 16 - 23

Designation:

85:16 Q. But it's fair to say that what the money that was available for creditors came after the City assumed it

would be undertaking all of the restructuring and reinvestment initiatives, correct?
A. That is how we have laid it out, yes.
Q. You backed into it so to speak.
A. We determined what cash would be available and then that cash would go towards these previous obligations.

Pg: 85 Ln: 24 - Pg: 86 Ln: 23

Designation:

85:24 Q. Now, at the time that you made this proposal to Mr. Orr that was then included in the June 14th
86: 1 proposal, what was your understanding about how the restructuring and reinvestment initiatives would be funded?
A. That discussion was something that essentially as we were going through this was part of the financial projection process, so as we layered on our restructuring and reinvestment initiatives to the Ernst & Young baseline forecast, we looked out and we said there's a surplus here. That surplus over the 10-year period was approximately $800 million.
So from that standpoint there was an indication that this -- these items could be funded by the City. The timing of those and whether there was going to be sufficient cash by the City itself to fund those certainly was not finalized or decided upon by

June 14th.

Q. I see. You're saying you looked in the aggregate and understood whether you could make it work in the aggregate over the 10-year period, with respect to how any one year might be focused, funded, whether out of operations or debt or whatever, you didn't look at that until later.

A. That's right.

Pg: 86 Ln: 24 - Pg: 88 Ln: 7

Designation:

Q. I know that money is fungible, so I know that it's tough to talk about what is the funding source for things, but at a logical level, isn't it fair to say that what was funding the reinvestment and restructuring initiatives that were being proposed were the cuts to the unsecured creditors?

A. Not necessarily, because you have mentioned the 1.25 billion number. There are revenue initiatives of approximately $250 million during that time period and then in addition to that an anticipated increase in revenue of approximately $350 million; so during that 10-year period there's $600 million of additional revenue that we anticipate would be coming in.

When you compare that to the 1.25, that funds approximately half of that. Within that

$1.25 billion, the City would have capital expenditures, normal capital expenditures every year anyways. This is not just incremental capital expenditures. Within the $1.25 billion, that is complete capital expenditures.

Q. So okay, I think I understand what you said. Capital expenditures in terms of average capital expenditures that the City "typically makes."

A. Yes.

Q. Are included in the $1.25 billion, as well as the incremental capital expenditures you are recommending that it makes.

88: A. Yes.

Q. Even under the revenue enhancements that you hope that the restructuring and re-initiatives will generate, there's still a sizeable portion of the restructuring and reinvestment initiatives that it was anticipated by logical extension would be funded by cuts to creditors, correct?

Pg: 88 Ln: 10 - Pg: 89 Ln: 8

Designation:

88:10 A. The -- taking a step back, again, capital expenditures of any kind are included in the $1.25 billion. There is an amount that would have to be there no matter what.

If you look at what that amount may be based on history, there's an argument to be made that perhaps $600 million of that 1.25 would be there anyways; so it could be that that -- of that 1.25, the incremental portion is funded through the revenue initiatives.

BY MR. HACKNEY:

Q. At some point we're kind of engaging in a mental exercise to begin with by talking about what dollar is funding what, I understand that, but that's in part your answer that you just gave me would be based on whether you would allocate the capital expenditures

89: that the City was going to make anyway over the 10 years to the non-revenue enhancing side of the funding, right?

A. Yes.

Q. If I put it over on the other side and said revenue enhancements will pay for all the stuff we're going to do anyway, the cuts to creditors are the ones that will fund the incremental investment.

Pg: 89 Ln: 11 - 22

Designation:

89:11 A. I would point out to you that looking back over the last 10 years, there's never been a year where the capital expenditures have been lower than $12 million a year, and even during the lightest period of time, the average was typically closer to 28 to $30 million a year.

So it is just not reasonable to assume that the City could not spend anything on capital, and again I understand money is fungible, and whichever bucket you would want to put it in, but there has to be some level of spending that the City undertakes as it relates to capital expenditures.

Pg: 89 Ln: 24 - Pg: 91 Ln: 15

Designation:

89:24 Q. Fair enough. By the way though, if -- what did you say, did you say that you knew what the average
90:1 capital expenditures was say over the prior 10 years?
A. Yes.
Q. What was it?
A. We break it into two time periods actually, so 2007 through 2012, where the City was experiencing significant budgetary issues, I believe that the average was in the neighborhood of around 28 million per year, 25 to $30 million.

If you look at 2003 through 2006, I think that average, if I recall correctly, was closer to around $60 million per year.
Q. So with respect to the 2007 to 2012 average, the

restructuring and reinvestment plan on average looks to quadruple the amount of capital investment in any one year?

A. Not correct, the 1.25 billion includes $300 million related to labor and expense-type items; so of the $950 million that remains, that would be comparing the $300 million that I think you just were referring to to the $900 million. 500 of that 950 is blight removal.

So really what we're talking about in terms of an apples to apples comparison is $300 million versus $450 million using an average for the 2007 through 2012 time period, which was a very, very light year, or light years in terms of capital expenditures.

91:

Q. Okay. If you didn't take out the blight though, because it is a capital expenditure the City is making, you would be comparing approximately $300 million a year in, I'm sorry, $300 million over a 10-year period?

A. Yes.

Q. If you annualized the 2007 to 2012 period, to approximately a billion dollars of capital spending over a 10-year period, correct?

A. Yes, that's a fair statement. If you annualized the average from 2007 to 2012 and you multiplied that by 10, and you compare that to the 950.

Q. You're looking at about a tripling.

A. Approximately.

Pg: 92 Ln: 6 - 14

Designation:

92: 6 So I think this should be obvious from your testimony but let me ask it anyway, which is, isn't it true that as Conway MacKenzie was assessing how much to spend on restructuring and reinvestment initiatives, it was not considering what was fair and equitable to the City's creditors?

A. I think that's a fair statement. We were focused on what is necessary to make the City operate effectively.

Pg: 92 Ln: 15 - 18

Designation:

92:15 Q. No one charged Conway MacKenzie with assessing what was fair and equitable to the City's creditors, correct?

A. I think that's a fair statement.

Pg: 92 Ln: 19 - 20

Designation:

92:19 Q. Was anyone inside the City making that determination to your knowledge?

Pg: 92 Ln: 21 - Pg: 93 Ln: 3

Designation:

92:21 A. Could you clarify when you say determining what is fair and equitable to creditors?

Q. I'm not sure that I can. I think at some point it just, those are certainly words that come from the Bankruptcy Code I think, but I guess what I'm asking is was there anyone out there who was looking at what recoveries to creditors would be fair, viewed from the perspective of creditors?

Pg: 93 Ln: 6 - 10

Designation:

93: 6 A. The proposal for creditors, the June 14th document that you referred to, has a proposed treatment for creditors, and based on statements I've heard directly, certainly is the City's view that that proposes a fair treatment for creditors.

Pg: 93 Ln: 12 - Pg: 94 Ln: 2

Designation:

93:12 Q. Now, the -- the City's proposal to creditors, and I want to put secured creditors to one side and just talk about the unsecured creditors if we could, that involved a $2 billion pot of unsecured bonds, is that correct?

A. That is one element.

Q. Was there another one for unsecured creditors?

A. The City indicated that, or we alluded to in the proposal for creditors that we were going to undertake a process to evaluate options for, as an example, Detroit Water and Sewer Department, which could enhance what would be available for creditors, and then as the financial projection shows, that there was excess cash over that time period which could

94: 1 potentially be available for satisfying claims as well.

Pg: 95 Ln: 15 - 18

Designation:

95:15 Q. Yeah. Did anyone, excluding legal advice, from the rest of the City's restructuring team communicate to you what they thought a fair recovery was for creditors?

Pg: 95 Ln: 24 - 25

Designation:

A. Seems to me that communications around those topics
typically involved counsel.

Pg: 96 Ln: 2 - 6

Designation:

Q. Okay. Has anyone come to you after the bankruptcy has
started and said the amount, the reinvestment and
restructuring initiatives do not leave amounts that
are sufficient to fairly and equitably treat our
creditors?

Pg: 96 Ln: 11

Designation:

A. No communications that I recall outside of counsel.

Pg: 96 Ln: 24 - Pg: 97 Ln: 25

Designation:

Is it your understanding that the
anticipated size of the Quality of Life note will be
somewhere in the neighborhood of $120 million
depending on the termination expense of the swap?
A. Generally in that neighborhood, that amount depending
on as you say what the amount is at the date that that
swap would be taken care of.

Q. For example, if interest rates rise, the swap termination goes down, the proceeds available for Quality of Life expenditures go up, right?

A. Yes, sir.

Q. And this is zero sum -- right? -- in the sense that if the swap amount goes down, the proceeds that are now available, whatever's left over of the 350 will be used for Quality of Life.

A. Yes.

Q. So certainly the City's determined that it has had to take debt with respect to this first time period of reinvestment initiatives, correct?

A. Yes.

Q. What about the next nine years of reinvestment initiatives, what do you anticipate will fund those?

A. The City's cash flow.

Q. Did Conway MacKenzie offer the City advice regarding how big the Quality of Life note should be in terms of sizing the DIP?

A. No.

Pg: 98 Ln: 19 - Pg: 99 Ln: 6

Designation:

98:19 Q. So I'm trying to understand how you plug into the bankers who are sizing this $350 million loan, does that make sense?

A. It does, yes. This was an iterative process whereby we looked at a few parameters that we were asked to take into account as it relates to spending plans on the initiatives.

One was the City maintaining a certain minimum cash balance. Another one would be trying to enact the highest priority items. And so we, Conway MacKenzie that is, would or did prepare schedules that showed the timing of the spending on restructuring and reinvestment initiatives.

Pg: 99 Ln: 7 - 11

Designation:

Q. So basically it's fair to say that the City's restructuring team came to you and your team and said what are the most important reinvestment initiatives that we should undertake the soonest and how much will they cost in order to understand how to size the DIP?

Pg: 99 Ln: 14 - 17

Designation:

A. That's a fair statement, and as I mentioned, it was iterative in terms of there was also an element of if this is the amount that is obtained, how would you schedule this out, so it was an iterative process.

Objectors’ Designations From
December 4, 2013 Deposition of Charles Moore

Pg: 100 Ln: 6 - 25

Designation:

100: Q. How do the first, I'm going to call it the first year, I understand that the Quality of Life note, I saw for example that you suggested that you might, if it is 120 million and we don't know the precise amount because we don't know the swap, but if we use 120 million as a reasonable estimate that it might fund six months' worth of reinvestment initiatives at $20 million a month.

A. Approximately $20 million per month is what we have, yes.

Q. I know these numbers aren't definite but just in terms of general assumptions, was the assumption that the Quality of Life note will be approximately $120 million and that it will be deployed at a rate of about 20 million a month for six months?

A. One element that certainly was taken into account was the City maintaining a certain cash balance, and so yes, it turned out that if the amount of the Quality of Life loan is 120 million, that's about the rate that we could deploy, reasonably deploy that capital.

Pg: 102 Ln: 10 - 21

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

102:10 Q. So you answered a different question than I intended, which was you basically said don't worry, we're going to have enough money for all ten years, but I wanted you to answer the question more if there isn't enough money for the other nine years of reinvestment initiatives, for whatever reason, but pretend someone told you, Mr. Orr told you to assume that was the case today, to what extent do the six months' of reinvestment initiatives that you are about to implement relate to the other nine and a half years in a way that it would change how you would spend the money, do you understand the question?

Pg: 102 Ln: 24 - Pg: 103 Ln: 10

Designation:

102:24 A. I do understand the question. Some projects have a longer time period and they will require funds to be deployed over that longer time period. There are other discrete projects where money can be spent now and money will not have to be spent in the future.

And so this is obviously a very hypothetical that you have put in front of me, which is to say, if you have this amount this year and then you know that you don't have anything else after that, would you deploy any of it, and my answer to that is most likely yes, because a number of these projects do not require funds for future years.

Pg: 103 Ln: 11 - 18

Designation:

103:11 BY MR. HACKNEY:

Q. That's a perfect answer to the question, and I understand exactly what you're saying. Can you give us a sense of if the Quality of Life proceeds are 120 million, and you're now told there won't be any other Quality of Life reinvestment initiatives in the next nine and a half years, what portion of the 120 million would you either not spend or redeploy?

Pg: 103 Ln: 21 - Pg: 104 Ln: 3

Designation:

103:21 A. This is a scenario that we have not looked at, and I'm going to play that scenario back to you, which is to say we would spend, we would implement the restructuring and the reinvestment plan for year one and then we would not do anything for years two through ten. That is not a scenario that we've looked at and I'm not sure that's a reasonable scenario to look at.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 104 Ln: 5 - 25

Designation:

104: Q. Okay. Of the 120 million in Quality of Life proceeds, how much of it relates to a project that won't be done in the six-month period we were just talking about? Let me give you an example.

When you buy Tasers, you send the money out the door, the Tasers come in, you give them to the cops, the police officers, from the standpoint of buying Tasers, it's done, they now have the Taser.

A. Yes.

Q. Another example might be an ERP system where one half of the implementation will be done in the next six months but the next half won't be done until later where you might not spend the first half if you were not certain you could spend the second half, do you understand that distinction?

A. I do understand.

Q. Can you categorize the approximately 120 million in potential Quality of Life note proceeds according to the -- those two categories?

A. No, not offhand. I would have to go through each individual item to be able to answer that question.

Pg: 105 Ln: 1 - 22

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

105:
Q. And I take it you haven't done that as you sit here today because you don't believe that will be the case.
A. I think we've evolved a little bit from your original hypothetical. We certainly have looked at projects from the standpoint of whether they are discrete or whether they are over a longer period of time.
This is a very important element of what the City has undertaken in its analysis, and when I say the City, we worked very closely with the CFO during the months of September and October, really August and September primarily, regarding the spending, and generally speaking no one would want to undertake, back to your hypothetical, a scenario where you would spend money without knowing that you're going to be able to fund the whole thing.
And so we certainly have talked about projects that are more discrete versus the longer period of time.
Q. Fair statement, but when you're having those interactions with him, one of the things that you have to think about is what will the City be paying on its unsecured legacy liabilities, correct?

Pg: 105 Ln: 25

Designation:

105:25 A. That is not necessarily correct.

Pg: 106 Ln: 2 - Pg: 107 Ln: 22

Designation:

106: 2 Q. Well, we're talking about a forecast, right?
A. Yes.
Q. So you have to go through all of the elements of the forecast and compare it to the anticipated revenues to see whether you have enough money, right?
A. Yes.
Q. So when you're talking to the CFO about whether you'll have enough money for the whole ten years to implement the reinvestment initiatives, what assumption was he using as you understand it with respect to the unsecured legacy liabilities?
A. Well, going back to the point that you made before, money is fungible, and so as we sit here today, we would not as an example lay off a thousand employees just because we think that we may have to pay claims on various unsecured creditors, unsecured obligations.
So to the extent that there is a scenario whereby amounts have to get paid to the unsecured creditors that go beyond what the City has, that to me raises a question of whether that plan, if you will, is even viable or feasible.
Q. Why?

A. Using the right term.

Q. Why is that?

107: A. If the -- if there's a plan which provides for payments on unsecured claims that is beyond what cash flow exists for the City, then I question whether that plan is feasible.

Q. After taking into account the anticipated restructuring and reinvestment initiatives, right?

A. Correct. As I've pointed out earlier, I'm not sure that you can necessarily separate those things out. They have been viewed or characterized as incremental and perhaps nice to have, and what I'm indicating is that you can't separate that out. There's capital expenditures that the City will have no matter what.

Q. I think I understand what you're saying. Let me make sure I can state it in a way that hopefully will reflect my understanding and you can tell me whether I got it right or not, which is, when you're looking at the next ten years, you're looking at the City's operations plus the restructuring and reinvestment initiatives, and to the extent creditor recoveries exceeded any surplus, that would likely render such a proposal infeasible from your standpoint.

A. Certainly could, yes.

Pg: 108 Ln: 19 - Pg: 110 Ln: 4

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

108:19 Q. I understand all of that but you do understand that the plan here will necessarily be based in part at least on future forecasts of what is likely to happen over the next ten years, correct?

A. I do, yes.

Q. And that's in part because it is the, Mr. Orr's proposal that proposes to give the general unsecured

109: 1 creditors debt, right?

A. Yes.

Q. And so in order to understand whether the City can service that debt, you have to understand the forecasted amount of revenues and expenses, right?

A. It depends on the terms of that debt.

Q. But fair enough. So if it was picked at you might not have to?

A. That's correct.

Q. But the City has not proposed picked at, correct?

A. The City has not put forward its plan of adjustment.

Q. Let me see if I can state it in a way where we can agree and move on in a more general level.

The anticipated revenues and operating costs of the City considered in isolation from the restructuring and reinvestment initiatives, plus the restructuring and reinvestment initiatives and their anticipated impacts on costs and revenues as well, those two things together have necessary implications

for what is available to creditors.
A. I don't know if I agree with that statement. They could, but they don't necessarily.
Q. I don't -- I mean, I don't mean to be flip, but how much money the City plans to spend on itself over the next ten years, and how much it thinks it's going to
110: get necessarily relates to how much is left over for the creditors, right?
A. It depends on if that is a source of recovery for the creditors.

Pg: 110 Ln: 5 - 22

Designation:

110: Q. Fair point. If there were asset sales, for example, it might not matter that the City only had a small incremental amount of money left over because creditors might be getting a fair recovery from other sources?
A. That's one example, yes.
Q. What's another one?
A. I just, that I would point out to you that as an example.
Q. Okay, that's helpful. It's a fair characterization you made there, fair qualification. Let me rope that in though to my prior question, which is, if you assume that there won't be material asset sales, and

that you only have the ongoing cash flows of the City
on a year-to-year basis to fund creditor recoveries,
the City's anticipated operating costs plus the
restructuring and reinvestment initiatives have
necessary implications for what that amount is.

Pg: 111 Ln: 1 - 6

Designation:

111: 1 A. Only to the extent that the net cash flow that the
City generates is used to satisfy creditor claims. If
the net cash flow from the City's operations is not
used to satisfy creditor claims, for whatever reason,
then it would not have implications for creditor
recoveries.

Pg: 111 Ln: 8 - Pg: 113 Ln: 2

Designation:

111: 8 Q. Okay. So if there are no asset sales and there's no
use of excess cash flow to satisfy creditor claims, am
I missing another possible bucket?

A. Mr. Hackney, I'm just saying that I don't think,
number one, the City has not put forward a plan of
adjustment, as such, I don't think that we can
automatically assume that recoveries to creditors have
to come from at least partially the City's net cash

flow from operations, and as such, I don't agree with the statement that the spending that the City does necessarily has implications on creditor recoveries.

Q. Remember though -- and I know it's 12:28, Bob -- remember though that I baked into my question the assumption that there would be no asset sales.

A. I understand that, and what I'm saying is that those are two separate items. If you necessarily, if you assume that creditor recoveries have to come from net cash flow from operations, then yes, there's an implication. I just don't think that that is an assumption that necessarily or should be made.

Q. Fair enough. If creditor recoveries will only be funded in part by asset sales, the reinvestment initiatives have implications for the amount of excess cash flow available to fund the other part of creditor recoveries, correct?

A. Again, it's taking it one step further that I don't agree with, and that is that a source of recovery for creditor claims is net cash flow from operations. I don't know, as we sit here today, no one knows what the different sources of recovery for creditor claims may be.

And so I'm not prepared to make the assumption that under any scenario that net cash flow from operations has to be a source for a creditor recoveries.

Q. That's a great point. As you stated, there is no plan of adjustment right now, correct?
A. The City has not filed its plan of adjustment.
Q. So you don't know how unsecured creditors will be treated under that plan as you sit here today, correct?
A. I specifically don't know.
Q. And you don't know what their recoveries will be,
113: 1 correct?
A. That is correct.

Pg: 113 Ln: 10 - Pg: 114 Ln: 15

Designation:

113:10 Q. I am sorry to interrupt, but I thought I asked you a bunch of questions saying doesn't it have implications and you said not necessarily, and now I'm saying you can't say whether it has implications and you're disagreeing with that as well?
A. Yes, sir. And the reason why is I'm not prepared today to say that creditor recoveries, or at least a portion of creditor recoveries have to come from net cash flow from operations.
Now, with that said, there are elements as it relates to confirming a plan of adjustment that certainly I am aware of, and I know one element is that the plan is feasible, and so we know that for a

plan to get confirmed, it needs to be feasible.

If we have a situation where creditor recoveries are beyond what resources are available

114: 1 from the City, then that's not feasible. That plan likely would not be deemed feasible.

And so because of that, the -- those elements give me comfort in making that statement as it relates to whatever plan of adjustment occurs. I know it has to be deemed feasible for it to be confirmed.

Q. And by the way, if the creditor recoveries didn't leave enough money, that statement that you made, it would be infeasible, it would not be feasible, that's assuming that the full amount of the reinvestment initiatives are planned, right?

A. I'm not making that assumption. All I'm making the assumption of is that for a plan to be confirmed, it needs to be deemed feasible.

Pg: 115 Ln: 10 - Pg: 116 Ln: 7

Designation:

115:10 Q. We also talked about what I'll call competitive municipalities, which are municipalities that you could fairly say are in direct competition with each other for an individual citizen's residency.

A. Yes.

Q. You remember we talked about that concept earlier on in the deposition?
A. Yes.
Q. I take it that generally are you referring to the municipalities that ring Detroit in the main there? I know at some level Detroit's in some manner of competition with Muskegon and Grand Rapids and Traverse City, but are the most directly competitive cities the ones that you are looking at, the ones that are proximate to Detroit? And I don't know what you call them, but like the collar municipalities?
116: A. Yes. Essentially we focused on the metro Detroit area, which you could take up to Flint on the north side and out to Ann Arbor on the west side, but that metro Detroit area is what we were referring to.
Q. When you looked for what we're calling competitive municipalities.
A. Yes.

Pg: 116 Ln: 8 - Pg: 117 Ln: 5

Designation:

116: Q. Now, I want to go to a third concept which we did discuss which was just the notion of a comparable municipality that might be out there in the United States, even if it's geographically remote from Detroit, it's a city that you might look at because it's similar to Detroit. Do you remember we talked about that?

A. Yes.

Q. What would you say are the most comparable municipalities from your standpoint when it comes to this notion of benchmarking?

A. There are some of the municipalities that we benchmarked just from a size perspective include, and I'm going off the top of my head, but I believe Cleveland, St. Louis, Memphis, I think we may have done Charlotte, North Carolina. There may have been others as well.

Q. That's very helpful. Those are sort of four that definitely come to mind, right?

A. Yes.

Q. Do you know if there were others that you just can't remember?

A. There probably were, maybe one or two others.

Pg: 117 Ln: 19 - 22

Designation:

117:19 Q. We've now marked the proper Exhibit 2, which I hope is your declaration with respect to post petition financing motion.

A. Yes, it appears to be.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 118 Ln: 11 - Pg: 119 Ln: 25

Designation:

118:11 What I wanted to ask you about was the last sentence of this paragraph where you said, "Without borrowed funds, there is a material risk that the City would have to substantially cut back or eliminate its reinvestment efforts in the near term, and the City's ability to invest in the future would continue to be hamstrung and imperiled by the City's ongoing financial constraints," do you see that?

A. Yes.

Q. What are the ongoing financial constraints that you're referring to there?

A. The City's existing financial condition that it operates under today.

Q. How does borrowing the funds free it from, or allow it to not be hamstrung by the ongoing financial

119: 1 constraints?

A. Borrowing these funds allow for the spending on the restructuring and reinvestment initiatives, and we believe that those will not only support the revenue, continued revenue, but also to facilitate the other aspects that we've included in the projections in terms of revenue increases, revenue initiatives.

Q. So when you talk about the, and I think you said that the ongoing financial constraints are the current

operating expenses of the City?
A. It's meant more that the current financial condition of the City.
Q. Okay. The reason I'm asking of course is, for example, like the City as I understand it is not making payments on its so-called cop debt, are you aware of that fact?
A. Yes, I am.
Q. Okay. So I take it to mean that that's a financial constraint that is not currently limiting whatever the City wants to do, do you understand what I mean?
A. I do understand, yes.
Q. Do you agree?
A. That is not a constraint, correct. The City has a variety of other constraints though and just in terms of operating on a day-to-day basis.

Pg: 120 Ln: 6 - 10

Designation:

120: Q. I was thinking the City is making certainly OPEB contributions to both employees and retirees, correct?
A. The City pays healthcare, and OPEB specifically referring to retirees, as those expenses are incurred, so yes, those continue to be paid.

Pg: 120 Ln: 11 - 18

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

Q. It's also making pension contributions, correct?
A. That is not correct.
Q. That is not correct. Has it deferred the full amount of its pension contribution?
A. Yes. There may be some amount of pension contributions coming from the water and sewer departments, but the general fund is not making any contributions to the pension funds.

Pg: 120 Ln: 19 - 23

Designation:

Q. And with respect to the OPEB, it's my understanding that the OPEB is around $15 million a month for retirees, is that correct?
A. Generally I understand that to be the general amount, yes.

Pg: 120 Ln: 24 - Pg: 122 Ln: 6

Designation:

Q. Do you understand what I mean when I say that the claim for OPEB is treated in the proposal to creditors as a general unsecured claim?
A. I do, yes.

Q. And that's accurate, right?

A. Yes.

Q. And in fact the OPEB to retirees, that's been paid since the filing of the bankruptcy, correct?

A. Yes.

Q. And so let's see, it's, I'll do it like this. So August 17th -- December, mid-December will mark five months of that, correct?

A. Yes.

Q. And I think there's been a deal struck to extend that two months past the new year, is that correct?

A. That's my understanding, yes.

Q. So that would be about seven and a half months of retiree OPEB, correct?

A. Yes.

Q. And at an average of $15 million, that's slightly more than $100 million in aggregate, is that correct?

A. I don't know what the actual amount is. Again, just to clarify, healthcare expenses for retirees are paid as they are incurred; so there's not a contribution to a fund or payments to retirees being made. This is payment of their health expenses.

Q. Sorry, fair qualification. Did I get the approximate amount right?

A. Based on my understanding, yes. What the actual amount of healthcare expenses that have been incurred and paid, it could vary from that, but on average the numbers that you've cited are my understanding as well.

Pg: 122 Ln: 7 - Pg: 123 Ln: 11

Designation:

122: 7 Q. Now, those are numbers that you are including in the concept of a financial constraint of the City currently, right?
A. Yes.
Q. Are there any other payments to unsecured creditors that are being made presently, post petition, that are in this concept of ongoing financial constraints?
A. There are some prepetition trade vendors that are still being paid, but I do want to clarify that when I said financial constraints, and I clarified here in your questioning, indicating the current financial condition, I was not referring to only payments that have to be made.
The inability to, for the City to have the right number of workers as an example, those are constraints that contribute to the current financial condition of the City.
Q. That's correct, but this sentence begins "without borrowed funds."
123: 1 A. Yes.
Q. So I assume it's saying without borrowed funds, we

don't have enough money to operate in the current condition as we are operating and do the reinvestment initiatives?
A. Yes.
Q. So I'm trying to understand what the constraints are financially that require the borrowing.
A. Yes.
Q. Make sense?
A. Yes.

Pg: 124 Ln: 2 - 15

Designation:

124: Q. Do you believe that the City of Detroit is insolvent as we sit here today?
A. Yes.
Q. Does the Quality of Life note, the borrowings that are associated with the Quality of Life note, does it deepen the City's insolvency in your view?
A. No.
Q. And why not?
A. The borrowings that would be under the Quality of Life note, and let's just continue to use the $120 million that we referred to, essentially facilitates some of the expenditures that we believe are very important for the City to stabilize and then to improve its finances.

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Pg: 124 Ln: 21 - Pg: 128 Ln: 10

Designation:

Q. If the City takes on an additional say 120 million in debt associated with the Quality of Life note and spends that money on services, it may enhance the Quality of Life in the city of Detroit as its name suggests, but at the end of it, the City will have additional debt without a commensurate additional amount of assets.

A. Well, we don't know about the, whether there will be commensurate amount of additional assets. Part of this, I think getting to your question, is when that Quality of Life loan would have to be repaid.

Q. Why does that matter?

A. Well, insolvency as we've just been talking about in the Chapter 9 context is the ability to pay the debts as they become due; so if we were talking about having to repay 120 million immediately, that might be a different answer than if this 120 million had to be repaid over some period of time.

Q. Because in the process you would have adjusted the remainder of your debts and rendered yourself now able to service the Quality of Life note?

A. That or the City will be operating better. It may have more resources to pay the Quality of Life loan.

Q. Take a look at paragraph 11 where you say:

"The sums borrowed in connection with the Quality of Life financing are designed to be a manageable and responsible amount of debt load that the City can service, while at the same time making a meaningful investment into the City's infrastructure and labor requirements."

126: Do you see that?

A. Yes.

Q. Are you able to say today that the City's debt load upon exiting bankruptcy will be manageable?

A. The way that we have modeled this in the cash forecast is under this scenario that the City does not get exit financing to repay this Quality of Life loan, and it has to be amortized over a four-year period. The amounts that would have to be repaid essentially are within the City's means to repay that, those amounts in that time period.

Q. Assuming what other level of debt?

A. Assuming the same items that we have included in the creditor proposal for debt across the board for the various items.

Q. So if you assume, for example, that the creditors got the $2 billion pot of bonds, under that assumption this incremental borrowing is manageable. Fair statement?

A. Yes.

Q. Is there an amount, is there a point at which the pot of bonds available to creditors would be so large that it plus the Quality of Life financing would not be manageable for the City?

A. It depends on the terms of those bonds.

127:

Q. If the terms of the bonds required ongoing debt service like the Quality of Life note required, is it possible that it could become unmanageable?

A. It's possible. Again, it depends on what those terms, the amount and what the terms are.

Q. I guess I think I asked you earlier in terms of responsibility, so hopefully I'm not reasking this question, but it is fair to say that you have not personally reached a conclusion about whether the proposed recovery that was included in Mr. Orr's June 14th proposal was a fair and equitable one to the City's general unsecured creditors, correct?

A. That is correct, I have not made any conclusion along those lines.

Q. Do you know whether you expect to consider that subject in the future? Will you be the person that testifies on that subject later on?

A. I'm not sure.

Q. You don't know. Okay. You haven't been asked to yet.

A. Correct.

Q. In paragraph 11 you first say, I'm in the second sentence now, Mr. Moore, you say:

"While the City may ultimately decide to apply the proceeds of the Quality of Life financing to pursue an array of specific projects, at this time the City intends to prioritize and devote the proceeds of the Quality of Life financing to three primary areas: public safety, information technology upgrades and blight removal?"

Do you see that?

A. Yes.

Q. It's fair to say, is it not, that the City is not committing itself in your understanding to spending the money consistent with the primary areas that you laid out in your affidavit, is that correct?

Pg: 128 Ln: 13 - Pg: 131 Ln: 3

Designation:

A. Could you restate the question, please?

BY MR. HACKNEY:

Q. I can try. In your understanding, isn't it true that the City is not today committing itself to spend the Quality of Life note proceeds in any particular fashion, correct?

A. I think it's fair to say that the City is not committing itself to spending, or obligating itself to spend money on specific projects.

Q. Okay. So you have given the City, you have given the

Court through your declaration an indication of what the City intends to do, right?

A. Yes.

129: 1 Q. But the City reserves the right to change its mind.

A. Yes.

Q. Just so we're on the same page, there are actually like four romanettes, they are public safety, ITS, blight, and finance.

A. Yes, sir.

Q. Do you consider the finance function changes to be mainly IT related, so do you think of them as being included in the information technology upgrades?

A. That is a significant element of the finance side.

Q. That's why you said three primary areas?

A. Yes.

Q. As you sit here today, are you aware of any other projects that are outside the three primary areas where you intended or you expressed an intention of the City to spend?

A. Yes.

Q. On which the City may spend the money?

A. Yes.

Q. What are they?

A. There are a whole host of projects that are in the forecast for restructuring and reinvestment that don't necessarily fall into one of those categories.

As an example, we have hiring needs in the

130: 1

General Services Department, and that is included in the restructuring initiatives, but I did not cite that here in this declaration.

There are facility improvements for the Department of Transportation that are necessary but I did not include those here. There are a whole host of individual items that are included in the restructuring and reinvestment but I did not focus on here.

Q. Make sure I understood. Are you saying there are some other projects out there that are rivals for the 120 million approximate Quality of Life note proceeds that may get some of it, or are you saying there are additional areas of spending outside of the three primary areas that will be covered by the approximately 120 million proceeds?

A. The latter.

Q. Got it. I see. So what you were saying in paragraph 11 was, I'm going to describe the three primary areas but you should know that there are other areas that will receive, that we anticipate will receive some of the proceeds.

A. Yes.

Q. Got it. I wasn't sure if you were saying something else and that clarifies it.

Do you understand that there's the

131: 1

possibility that for whatever reason that the swap

termination may not be exercised by the City?
A. I have not spent time on the swap termination.

Pg: 131 Ln: 4 - Pg: 132 Ln: 11

Designation:

131: Q. Okay. You understand that the swap termination is a sizeable component of the $350 million DIP loan?
A. Yes.
Q. Do you also understand just as a logical matter that circumstances may intervene where the swap is not terminated?
A. As I say, I really have not spent time on the swap termination side.
Q. Okay. What I'm trying to ask is, do you know if the swap were not to be terminated for whatever reason whether the City intends to redeploy the approximately $230 million previously thought of as the swap termination payment for near term Quality of Life initiatives?
A. I don't know.
Q. You don't know. Is the City in a position where it could deploy $350 million in the next six months if that were to occur?
A. Potentially. We have not looked at that, but it's possible.
Q. You haven't been asked to make any assessment of that

as you sit here today?

132: 1 A. Correct.

Q. Because that's not what the City anticipates doing with the money?

A. Correct.

Q. Is it fair to say that while it is possible, you don't know one way or the other whether the City could deploy that much cash in the next six months?

A. Correct. It could be possible, but unless and until we undertake that analysis, I'm not comfortable saying whether or what the likelihood is that the City could do that.

Pg: 132 Ln: 12 - Pg: 134 Ln: 2

Designation:

132:12 Q. With respect to the City's general fund, that's somewhere in the range on an annual basis of a billion one a year, right?

A. Yes, in revenue.

Q. In revenue. $350 million in additional financing proceeds would be somewhere in the order of 30 to 33 percent of that amount, right?

A. Yes.

Q. Can you give me a sense of with respect to the three primary areas, public safety, information technology upgrades, and blight removal, how much you anticipate,

as you sit here today, each will receive from the
Quality of Life proceeds?

A. We have again been treating, as you stated earlier,
133: money is fungible, so we don't have a direct tie
between this dollar of financing and its use. I can
tell you, again breaking those two apart, how much we
plan to spend on these areas over time, but it's that
direct tie that we have not been looking at.

Q. I guess it's a little bit of a mismatch, right?
Because it's not like the Quality of Life proceeds are
the only amounts that you have to spend on
reinvestment, correct?

A. That's right.

Q. And that's in part because the City's cash coffers
have risen above that $50 million threshold that you
set as one of your goals for the City, right?

A. Well, as we sit here today, that's the natural ebb and
flow of cash during the year. The City's high point
of its cash balance tends to be in the fall after
property tax, property taxes are received.

Q. Okay. I guess what I was driving on is there very
well may be reinvestment initiative monies that come
from sources other than the Quality of Life proceeds.

A. That's right.

Q. So it's sort of like we can think about two separate
concepts, one of them is what are the reinvestment
initiatives and then the other is what amount of that

134: will come from a Quality of Life note, do you understand?

A. I do, yes.

Pg: 134 Ln: 3 - Pg: 135 Ln: 8

Designation:

134: Q. Let me go to the first concept first, which is in the next six months, what does the City intend to spend in the aggregate in the areas of public safety? Reinvestment initiative public safety.

A. I don't have the specific numbers off the top of my head. Let me tell you how this has been established. We have a forecast that's on a monthly basis and it is in fairly detailed categories.

Within police there are multiple categories; within fire there are multiple categories; and just to give you examples of the categories, we have labor, so hiring additional people, we have fleet requirements, fleet refers to vehicles, we have facility requirements, and we have information technology-related items.

So it's very difficult without having the forecast in front of me, which has a lot of detailed information on it, to give you one precise number for all of public safety.

Q. Certainly I think it would be tough to ask someone for a precise number, but can you give me a range, like are you able to say public safety's about 40, IT is about 50, blight is about 60? And I'm talking over the next six months.

A. Yes. I would hesitate to point out specific numbers without that forecast in front of me.

Q. Okay. These forecasts, are these ones that you are delivering to the FA's on a semi-regular basis, making presentations to them to show them what your work shows about the anticipated reinvestments?

A. Yes.

Pg: 136 Ln: 10 - Pg: 137 Ln: 1

Designation:

Do you know approximately how much Detroit spent on its Police Department in fiscal year 2013?

A. Fiscal year 2013, I would have to give you a rough estimate, but I believe it would be somewhere in the neighborhood of perhaps 300 to $350 million.

Q. That was on the Police Department?

A. Yes.

Q. And do you know how that approximate amount of spending compares to the comparable municipalities, not the competitive municipalities, but the comparable municipalities you described to me earlier?

A. There are a variety of comparables that we've looked

at in terms of the number of officers per square mile,
the number of officers per resident, those types of
items, so we compare it more along those lines. Off
the top of my head, I don't know if we have compared
total budgets between these other municipalities.

Pg: 137 Ln: 2 - 8

Designation:

Q. So do you have work product at Conway MacKenzie that does comparable analysis to the comparable cities we were talking about on the specific subject of policing?

A. There are a number of items that we have and certainly that other parties have put together as part of this case as well.

Pg: 138 Ln: 13 - Pg: 139 Ln: 5

Designation:

We've discussed earlier the idea that this proposal for creditors included a billion 250 of restructuring and reinvestment initiatives, is that correct?

A. Yes.

Q. And it in fact does, right?

A. Yes.

Q. This plan though we've also discussed did not contemplate that there would be a bankruptcy filing, correct?
A. Correct.
Q. It's my understanding that you have reevaluated the timing of the restructuring and reinvestment
139: initiatives in light of the bankruptcy filing, is that correct?
A. Not necessarily in light of the bankruptcy filing, just given where we are today and the timing of cash becoming available for the initiatives.

Pg: 139 Ln: 6 - 17

Designation:

139: Q. I have another document that we'll get to in a bit that's a presentation that you made to the FA's in November.
A. Yes.
Q. And what it shows to me is the same amount of restructuring and reinvestment initiatives but just that they have been deferred from July of 2013, thereabouts, to January of 2014.
A. That's generally correct. Essentially the -- your statement, which is it's still a billion 250, is correct, my only point was the timing did not change just because of the bankruptcy filing.

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Pg: 139 Ln: 24 - Pg: 140 Ln: 13

Designation:

139:24 Q. What I want to confirm is, while the current plan is to begin the restructuring and reinvestment initiatives, capital R & R, in January of 2014, the plan with respect to how much to spend and what it would be spent on remains consistent with what you thought back in June of 2013.

A. Yes.

Q. So for better or for worse I was working off this document when I was trying to understand the amounts that would be spent on some of these subcategories, and you can let me know if this ends up not being indicative of the current plan. My expectation is that it will be relatively consistent given your prior answer.

A. Yes.

Pg: 140 Ln: 14

Designation:

140:14 Q. So take a look at page 62 of the June 2014 proposal.

Pg: 141 Ln: 14 - Pg: 142 Ln: 8

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Designation:

Q. So subject to remembering that there may be some variances, your counsel's pointed out there, take a look at page 62. Okay? If I understand what this is, this represents the amount of reinvestment initiatives and restructuring expenses, both of them, over the five years beginning with fiscal year 2014. Do you see that?

A. Yes.

Q. And by the way, the years in Detroit end in June -- right? -- the fiscal years?

A. Correct. June 30th is the fiscal yearend date. Fiscal year '14 refers to the fiscal year ending June 30th, 2014.

Q. Okay. So this was made, this proposal was made two weeks before the end of the 2013 fiscal year.

A. Yes.

Q. And it was showing people here's the next five years almost from today in terms of how we're going to spend money.

A. Yes.

Pg: 142 Ln: 9 - 15

Designation:

Q. Now, if you take a look at this, by my calculation this anticipates approximately 85 million of public

safety spending over the ensuing five years.
A. Okay.
Q. Does that seem about right?
A. Looks to me like about $95 million.
Q. It would be perfect for me to be off. You're right.

Pg: 142 Ln: 16 - Pg: 143 Ln: 12

Designation:

142:16 So $95 million. I stand corrected. $95 million over the ensuing five years.
A. Yes.
Q. And this is across police, fire, and EMS, is that correct?
A. No, that is police.
Q. And fire and EMS are separate.
A. Correct.
Q. And then it has the relative breakdown of the anticipated spend via the facility cost, fleet update,
143: 1 and technology, do you see that?
A. Yes.
Q. Are personnel additions included in any of these numbers or are they incremental to the 95 million?
A. If I recall correctly, the personnel are incremental to these items.
Q. And do you have, do you know how much is anticipated to be spent on increasing the personnel at the Police

Department?

A. I don't have the number off the top of my head, but generally speaking it's an incremental increase of around 275 heads.

Pg: 143 Ln: 13 - 22

Designation:

143:13 Q. Okay. And maybe the way I can use Mr. Hamilton's document best is to say to the extent these numbers changed in the process of what we've previously talked about as a deferral in time, if the numbers themselves also change, you expect it would be contained in that variance sheet?

A. The total numbers across the 10-year period have not changed, so as I confirmed before, the billion 250 is still a billion 250. The timing would be reflective of that schedule, in that schedule.

Pg: 143 Ln: 23 - Pg: 145 Ln: 1

Designation:

143:23 Q. And the specifics, right? I mean, because what I'm asking is, do you know if you reallocated amounts from facilities to fleet, for example?

144: 1 A. We did not.

Q. You did not. Do you know if you reallocated amounts from police to fire?

A. Did not.

Q. So is it fair to say that all of the numbers shifted back in time to January 2014?

A. Yes. There may be, and I'm just saying this, I don't know for sure, there might be some very minor changes, but I think everything in terms of total amounts is still the same over the 10-year period and it has only been timing changes.

Q. So just so I understand that document, do you know what we're talking about here?

A. I do.

Q. Were you able to see this?

A. Yeah.

Q. Is the variance that would exist between January '14 under the creditor proposal and January '14 under the current plan, that variance would likely be because monies from the last six months of 2013 are now kind of getting layered on top of the previously anticipated spending for the first six months of 2014?

A. That's right.

Q. Okay. I see. So the variance really helps you just track the deferral.

145: 1 A. That's correct.

Pg: 145 Ln: 13 - Pg: 146 Ln: 3

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Designation:

145:13 Q. Now, it's been widely reported in the press that the average response times in the city of Detroit were 58 minutes, have you heard that number?
A. I have, yes.
Q. Do you know where that number comes from?
A. I believe that came from the FBI crime statistics.
Q. Which -- which is data that the FBI collects from the City of Detroit?
A. That's correct. And we would have actually received it from the department rather than the FBI directly.
Q. Is it your recollection that you were given that number by the Police Department?
A. Yes.
146: 1 Q. What is the national average response time?
A. I don't recall off hand. I would have to go back and look at my notes.

Pg: 146 Ln: 4 - 14

Designation:

146: 4 Q. Have you read in the last six months, there was a Wall Street Journal article on this very subject, specifically relating to Detroit's emergency response times and how they compared?
A. Over the last six months there have been so many articles, I'm not sure which one specifically you're

referring to.

Q. There have been a lot, especially about this case, but I thought this one is one you might remember. I have it if you would like to take a look at it.

A. Sure.

Pg: 146 Ln: 24 - Pg: 147 Ln: 8

Designation:

Q. Okay. For example, let me ask you some specific questions. We won't spend too much time on this but I want to use it as a jumping off point to ask you some questions about the concept of response times.

For example, if you look in the third paragraph, this Wall Street Journal article is saying, there's no standard way they say, he's referring to law enforcement experts and former and current police chiefs, for cities to measure response times which can vary according to many factors.

Pg: 147 Ln: 15 - 18

Designation:

Q. Do you know whether that's true?

A. I do understand that there are nuances in terms of how departments may track numbers that may vary from department to department.

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Pg: 147 Ln: 19 - Pg: 150 Ln: 5

Designation:

147:19 Q. For example, do you know that some other police departments don't track time by reference to when the 911 call comes in, they track it by reference to when the police officer is made aware of the 911 call?
A. I have been told that.
Q. And do you know that isn't it true that Detroit has decided to shift to that metric?
148: 1 A. That is my understanding.
Q. Do you understand that if you measure it from the time that the call comes in, it will be a longer period of time that will be your response time if you compare it to the clock starting when the officer learns of the need for the call?
A. Naturally if you add an activity it's going to be longer, yes.
Q. At the bottom of this page there's a reference to something that you I think maybe had heard before, but tell me if you haven't. Detroit's police chief himself, the new police chief was quoted in this article talking about how the Detroit police were really doing with respect to true emergencies. Do you see that?
A. Yes.

Q. Do you remember his comments on this subject at that time?
A. I do generally remember he had some comments along these lines, yes.
Q. He said here that he conducted a study that response times last year to true emergencies averaged approximately 15 minutes, do you see that?
A. Yes.
Q. Do you have a basis to disagree with him on that?
149: A. I do not have a basis.
Q. And do you know how -- do you know how 15 minutes compares to the national average for true emergencies?
A. As you just pointed out, I don't know what the national average would be on an apples to apples basis, specifically how Chief Craig looked at this.
Q. Okay. So you don't know it because you don't have it in front of you today or is that not something you've looked at before?
A. I don't know exactly what he did to calculate the 15-minute response time, and because of that, I'm not aware of us having anything that would have that same analysis for other cities.
Q. Okay. So when you talked about the 58-minute response time.
A. Yes.
Q. What is your understanding of what that measured?
A. That is how the department measures what they refer to

as police response time. From the time that a call comes in until someone responds to the incident, that would be 58 total minutes.

Q. Across all 911 calls.

A. I believe that's the case.

Q. And do you know what the national average is for police response times across all 911 calls received by that police department?

A. Well, the 11 minutes that is cited in here is, that refreshed my memory in terms of the national average, and that's the number that we have from a national basis.

Pg: 150 Ln: 6 - Pg: 151 Ln: 11

Designation:

Q. So just when I'm reading this, it says police are arriving at urgent calls much sooner than 11 minutes, I didn't see elsewhere, I saw previously:

"Detroit's emergency manager, Kevyn Orr, and Michigan Governor Rick Snyder have compared the city's response time with a nationwide average of 11 minutes but it's not clear where that figure comes from."

Do you see that?

A. Yes.

Q. Do you know where the 11-minute figure comes from?

A. We would have received the information from the department itself; where the department I believe gets its information is from the FBI crime statistics.

Q. Okay. So to the best of your knowledge I should be able to -- do you know if these are publicly available?

A. Given that we received this information, and that the department had it, I would guess that it's publicly available.

151: Q. I think it is as well, but I just want to clarify your testimony, which is you think that I should in theory be able to go to the NCIS website or whatever it is for the FBI and get data reflecting the national average for 911 response times and compare, be able to compare that to Detroit's, is that correct?

A. I'm not sure if you can get it there or not but it seems like because the department has this information that it is publicly available. I don't know if it's just given to law enforcement officials or if it's given to anyone.

Pg: 151 Ln: 12 - 19

Designation:

151:12 Q. Now, has anyone at Conway MacKenzie undertaken an effort to study whether 911 response times across all 911 calls is the best way to measure police performance?

A. In working with Chief Craig right now, we are in the process of establishing what the performance metrics are going to be that the department will use to track and monitor its progress.

Pg: 151 Ln: 20 - Pg: 152 Ln: 5

Designation:

151:20 Q. Okay. I take it if they use different performance metrics from the average response time across all calls, that may change the starting point as well.

A. Yeah. What's important here is that coming up with a defined measurement is very important, and then using that same measurement to track progress is the key.

152: 1 Whether you start at one point, which is lower, or higher, you want to measure your progress.

Q. And as we sit here today, Chief Craig is in process at setting that bogie, correct?

A. Yes.

Pg: 152 Ln: 6 - 10

Designation:

152: 6 Q. Have you been able to size the expense of improving response times to the national average?

A. There is not a direct relationship where you can say

if we spend exactly this amount of money, then we will
be able to get this specific improvement.

Pg: 152 Ln: 11 - 25

Designation:

152:11 Q. That's fair. I do think though at some level there's
an is this possible with any amount of money question
that you have to ask before you set the benchmark, is
that fair?
A. Certainly Chief Craig with his experience, as well as
we've worked with the Bratton Group and Manhattan
Institute, we focus in on what are the key items that
will help improve response rate.
Now, can we, do we know specifically what
is necessary to get to a particular response rate?
No, it's just not a linear relationship like that.
But these items, that certainly these well
respected and very well versed veterans in the law
enforcement industry know what the factors are that
will help improve response time.

Pg: 153 Ln: 1 - 10

Designation:

153: 1 Q. Is Chief Craig one of the most important components in
this analysis?

A. Yes, Chief Craig sets the direction for the department.
Q. And in fact, so he's the person that you're principally liaising with in terms of determining what's a reasonable goal for something like reduction of response times as well as how to effectuate it and what it might cost?
A. Yes.

Pg: 153 Ln: 13 - Pg: 154 Ln: 1

Designation:

153:13 BY MR. HACKNEY:
Q. My understanding is that Chief Craig began work late in June of 2013, is that correct?
A. That's the approximate time frame, yes.
Q. He came after the proposal to creditors was done, correct?
A. He started to do some work during the month of June but I believe that it was after that, the publication of that plan.
Q. So your work in terms of your recommendations to Mr. Orr was already sufficiently refined to be included in the proposal to creditors before the new police chief started, correct?
154: 1 A. Yes.

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Pg: 155 Ln: 6 - 19

Designation:

155: 6 Q. Okay. Maybe I'll just bracket it until we get to that later document and maybe I just misunderstood it. I thought I saw a line entry on one of the presentations you'd made that said Chief Craig finishes his restructuring plan in October of 2013. Does that ring a bell?
A. Yes. So to clarify that, the chief is going to be the individual that has ownership for this plan. The plan of action as it's called is something that we are working with the chief on.
So there is not, there are -- there are not two different plans. The plan of action incorporates this as well as policing strategies for the comprehensive plan of action for the department.

Pg: 155 Ln: 20 - Pg: 156 Ln: 15

Designation:

155:20 Q. I see. So the ideas that you had for ways to improve the department are what we'll call the Conway MacKenzie police restructuring initiatives, and you're saying he's working with you now to take those and build them into a larger police restructuring plan that he hoped to complete in October of 2013 that

156: included things like a vision for policing and so on
and so forth.
A. Yes. The work product of the Bratton Group and
Manhattan Institute on policing strategy, which was
delivered I think around the end of September or so,
was a key input.
All of these restructuring and reinvestment
initiatives were key inputs. Chief Craig also brought
to bear what his view on policing and the vision of
the department should be. All of that is coming
together into the comprehensive plan of action.
Chief Craig is the owner of that. So when
we say he is publishing his plan, that's what we're
referring to. We are integral to the development of
that plan of action with him.

Pg: 156 Ln: 16 - Pg: 157 Ln: 6

Designation:

156: Q. Both the Bratton work product and the chief's work
product, whether it's incremental or new or however
you describe it, are things that were not finalized
until after the City had gone to market to borrow the
DIP funds, is that correct?
A. Well, from the standpoint of there are elements in
that that are still getting tweaked right now;
however, the spending, especially as it relates to

157: labor, information technology, facilities and fleet, that was decided long ago.

When Chief Craig came in, one of the first things that was reviewed with him were these items, and Chief Craig got comfortable with those. What we're really talking about in terms of additional items that have occurred since then has to do a lot with policing strategy.

Pg: 157 Ln: 7 - 19

Designation:

157: Q. Okay. So the things that you spend money on he signed up to prior to the time the DIP was sourced, but he's continuing to work on how police officers do policing.

A. Correct.

Q. Now, it's my understanding that the chief, is it correct that he got done with his what we're calling his work restructuring plan, which I know incorporates prior and other people's work, he got done with that in October of 2013, is that true?

A. No. He actually has still not published it officially.

Q. Is he still working on it to your knowledge?

A. When I say "he," we are working on it with him.

Pg: 157 Ln: 25 - Pg: 159 Ln: 13

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

157:25 Q. Whoever's working on the police restructuring plan,
158: 1 they're still working on it as we speak.
A. Yes.
Q. So do you know when he's going to get done with, when you all are going to get done with that?
A. I anticipate, well, it can always change, but it is substantially complete and I would guess perhaps in the next two weeks that that should be getting published.
Q. So before the end of the year.
A. Yes.
Q. All told, fair to say that it took Chief Craig working in conjunction with you and others approximately six months to come up with a comprehensive restructuring plan for the Police Department?
A. No, I don't think so. The fact that it hasn't been published yet doesn't mean that the majority of the work took six months to complete.
Q. Five months?
A. No, I would say once the Bratton Group work was done, we're talking about a couple-month process to pull together the plan of action.
Q. Two months or --
A. Yeah, I would say so.
Q. So he -- he's been ready with his restructuring plan

in conjunction with you all since late August 2013?
159: A. No. The comprehensive plan of action, pulling it all together didn't begin until, in terms of the document that I'm referring to, didn't begin until end of September when Bratton Group published its findings.
Q. Oh, I see.
A. And recommendations.
Q. So it's been since that time?
A. Yes.
Q. Since you've been knitting it all together.
A. Yes.
Q. And obviously we're just talking about one department now -- right? -- that's the Police Department.
A. Right.

Pg: 159 Ln: 14 - Pg: 160 Ln: 9

Designation:

159: Q. Isn't it fair to say that Chief Craig has been able to bring about improvements to the Detroit Police Department as we sit here today?
A. Which improvements are you referring to?
Q. Any of which you are aware.
A. Well, I know that the City advertised last week that it had 36 hours without a violent crime, actually to clarify, it was without a shooting, so if we call that progress, then yes.

160: Q. I guess what I mean is he's out there working to improve the department today, right?
A. Yes.
160: 1 Q. And he's able to do that today, right?
A. Chief Craig certainly is trying to do everything that he can to improve, yes.
Q. And have you undertaken a study to see where the department is currently compared to where it was back when you were assessing it in the January to June time frame?
A. The department itself tracks information and certainly they report on some of that. Shootings are down.

Pg: 160 Ln: 10 - Pg: 164 Ln: 10

Designation:

160:10 Q. Are you aware of something called the Detroit Performance Dashboard?
A. In what regard?
Q. Let me show it to you. It's easier.
MARKED FOR IDENTIFICATION
EXHIBIT 5
2:22 p.m.
BY MR. HACKNEY:
Q. I'll represent to you that I've printed this as a screen shot off the Internet, and you can see the http down there at the bottom. I'm going to ask you some

questions about this, Mr. Moore, but let me just first tell you what it looked like to me when I was looking at it on the Internet.

It looked like it was something that the City of Detroit, like the real City of Detroit,

161:

maintains about itself. So it wasn't some blog or something who just threw up their own idea.

A. Yes.

Q. That being said, whether it's accurate or not is a different question, but I first want to ask you, do you know what this thing is?

A. I think I have seen this before but I have not spent time with it.

Q. Do you know who maintains this?

A. I do not.

Q. So don't take this the wrong way, but I guess I'm a little flummoxed that you haven't seen the Detroit Performance Dashboard.

A. Well, we work directly with the departments on specific items. What gets published here in this type of item, that certainly can be out there, and it might be helpful, but the types of items that we work directly with the departments on are at a much more detailed level than this.

Q. Okay.

A. And I, quite frankly, would need to spend time validating all of the sources of information going into this and that to me would not be a good use of time.

Q. Fair enough. Have you ever seen it before though?

162: A. It generally looks familiar to me, yes.

Q. So let me just say, you know, in your affidavit, your declaration, police response time was one of the first examples you gave of something that you hope to improve, do you recall that?

A. Yes.

Q. And it's also something that's received a fair amount of press here in Detroit?

A. Yes.

Q. You're aware of that?

A. Yes.

Q. Isn't it fair to say that the police response time to a call is one of the most important aspects of policing?

A. Yes.

Q. Now, if you look at this document, this is what, as I understand it, Detroit is saying to people about what it is currently doing, bracketing whether it's accurate or not, and you look down under public safety where you see police response time.

A. Yes.

Q. I'll tell you that prior means third quarter 2013, there's a little legend up there on the left.

A. I see that.

Q. And current means fourth quarter 2013, that's the one we're in currently.
A. I don't believe that's the case. I think the City always refers to fiscal years, so I don't know this for sure, but I think this may be referring to third quarter of the fiscal year and fourth quarter of the fiscal year.
Q. Well, that's helpful, because it would make sense because it would explain how they have data on it given how we haven't completed the fourth quarter of 2013.
A. Correct.
Q. Let's work under that understanding, whatever it is, it shows that police response times in the third quarter dropped from 42 minutes to 11.67 minutes in the fourth quarter, do you see that?
A. I do.
Q. And that was well below the target that they were trying to get it to, do you see that?
A. I do.
Q. Do you have reason to believe that this is inaccurate?
A. I can't have an opinion on that because I don't know the sources of data that go into this.
Q. Okay. So fair to say that you don't know whether police response times in the April/May and June time period of 2013 were 11.67 minutes or not?
A. I have no idea what would have been considered in that

calculation.

Q. And I'm not asking about this calculation. I'm saying do you know whether or not they were that timing?

A. I do not believe that the police response time as we have been looking at it was 11 minutes in the fourth quarter of fiscal year 2013.

Q. Obvious point, to the extent this data, whatever it represents, is accurate, it shows a material improvement in the response times, correct?

Pg: 164 Ln: 13 - Pg: 165 Ln: 21

Designation:

164:13 A. There are two important items to understand as it relates to response time, and one of these you get anecdotally through a lot of conversations. If people don't call the police, that will never show up in a police response time statistic, and certainly, based on a lot of discussions that I've personally been involved in, the situation in the city is such that because response times are so poor, in many cases where the police don't show up, and by the way, this is something that the Police Department specifically has to do because of the resources that it has, it has to prioritize responses.

So for a break-in as an example, it may be

165: 1 a day or two before someone shows up, so this only tracks when someone actually calls the police. You could actually see a reduction, depending on how you measure this, you could see a reduction in response time, yet it's actually worse because people are just not even calling the police anymore.

It's similar to unemployment statistics. It -- unemployment can improve but you may have had a bunch of people drop out of the labor market.

BY MR. HACKNEY:

Q. That's a fair point. I understand there's a lot that goes into this, so for example if you make a big improvement and then maybe people feel that they can call 911 again and volume goes up, maybe then you see some slipping backwards so that the improvement was illusory, I understand that it's complicated.

So I appreciate your qualification, but I was just asking that, viewed in isolation, improving response times from 42 minutes to 11 minutes would be a material improvement, correct?

A. It certainly would.

Pg: 165 Ln: 22 - Pg: 168 Ln: 13

Designation:

165:22 Q. Okay. Now, isn't it also true that Detroit's homicide rate is down 13 percent from last year?

A. That's what I understand, yes.

Q. And while Detroit's homicide rate is surely still too high, and maybe you can say any homicide rate is too high, but Detroit certainly is, 13 percent is also a material improvement, wouldn't you agree?
A. I agree.
Q. And that was in advance of getting any of the Quality of Life note proceeds by definition since you haven't gotten them yet, right?
A. Correct.
Q. Isn't it true that violent crime is also down 6 percent from last year?
A. I'm not aware on that statistic.
Q. That may be correct, it may not be correct, you just don't know?
A. Correct.
Q. By the way, that Wall Street Journal article that we were looking at, we can get it out again if you want, Chief Craig said he and his office conducted a study of how calls were categorized to get a sense of how they were doing with the true emergencies. Have you reviewed such a study from Chief Craig, have you seen such a study?
A. I have not seen such a study. My guess is that my colleague that is heading up our efforts on the Police Department certainly would have.
Q. I take it that the individuals that were level two individuals that we talked about earlier, some of whom

are managing directors, do you remember that?
A. Yes.
Q. Do they have different areas of principal responsibility where they will focus, they may have multiple such areas but they do have silos that are their principal responsibility as they report up to you?
A. Yes.
Q. And you're saying now, hey look, I may not have seen this study, but I suspect that the man or woman who reports to me, who is responsible for police restructuring, they very well may have.
A. Yes.
Q. You don't know whether they have or have not though I take it.
A. Correct.
Q. And Conway MacKenzie itself has not conducted such a study, isn't that correct?
A. Not that I'm aware of.
Q. Do you agree that what's most -- do you agree that what's most important with respect to 911 calls is responding as quickly as possible to the most urgent calls?
A. I don't know if I would make that statement or not.
168: Q. That's not something that you can necessarily agree with?
A. Correct.

Q. Why not? Why can't you agree?
A. You had a couple of qualifiers there. If we're just talking about do I agree that responding to, the most important part of responding to 911 calls is to respond to the highest priority in the quickest manner, if that's the way you're asking it, then I think the answer is yes. I don't know if that's necessarily what I heard in your question.
Q. That was what I meant to ask.
A. Okay. Then the answer to that would be yes.

Pg: 168 Ln: 14 - Pg: 169 Ln: 8

Designation:

168:14 Q. Are you aware of written reports by your firm or others that analyzed the problems with the City of Detroit response times, what I mean is a report that would say our response times are too slow and here's why, A, B, C, you know, an analytical report?
A. There are definitely reports out there that talk about those items.
Q. And are examples of those the Bratton report?
A. Yes.
Q. Are there others?
A. I think McKinsey, if I recall correctly, that information is in McKinsey reports.
169: 1 Q. And I apologize if I asked you this earlier, do you

know whether this stuff is in the data room or not?
A. I don't know.
Q. Like for example the Bratton report, do you know if it's being treated as work product that the City's holding close or is it being treated as here you go, public, look at it for what it's worth?
A. I don't know.

Pg: 169 Ln: 9 - Pg: 170 Ln: 20

Designation:

169: 9 Q. Fair enough. Case closure rate is something that you took a look, that you mentioned in your declaration.
A. Yes.
Q. What is Detroit's case closure rate?
A. Off the top of my head I think it was down to the single digit range, maybe 8 to 10 percent.
Q. And how does that compare to the national average?
A. Substantially worse.
Q. What is the national average?
A. Off the top of my head I think perhaps it's 60 percent or north of that.
Q. Where are you getting these numbers that you're telling me?
A. Again, from the department, but tying into the FBI crime statistics.
Q. And the quantifiable objective for the Detroit Police

Department is to elevate its case closure rates to the national average, is that correct?

A. Yes.

Q. Have you attempted to size the cost of achieving this objective?

A. Again, there's not a linear relationship between if we do this we know this will be the precise result, but we do look at what the items that impact case closure are and address those.

Q. Fair enough. Is it fair to say that you don't know whether the reinvestment initiatives with respect to policing will be sufficient to bring about the national averages?

A. Correct, the reinvestment could actually exceed the national averages.

Q. Oh, so you think it will definitely achieve the national average and it might even become better than?

A. I didn't say definitely. There's no guarantees at all. We certainly are planning on the results being very favorable. They could be more or less favorable than expected.

Pg: 170 Ln: 21 - Pg: 172 Ln: 18

Designation:

170:21 Q. Can you give me an example of a municipality that has made as dramatic an improvement in its 911 response times as the one that you're trying to help Detroit achieve?

A. Well, one that is cited all the time, and certainly is involved with through the Bratton Group is New York City, in the '90s specifically, and Bill Bratton was the police chief there and he is the "Bratton" in the Bratton Group.

And so certainly New York, the City of New York, had a substantial improvement in its police operations.

Q. Do you know what the level of improvement was?

A. Not off hand.

Q. And do you know how much they had to spend to achieve it?

A. I don't know off hand.

Q. Do you know if you did know those numbers at some point prior to today and just can't recall them or have you not looked at this specifically?

A. I specifically have not looked at that.

Q. Is it your expectation that someone at Conway MacKenzie has?

A. It's possible.

Q. It's possible. You don't recall whichever lieutenant heads up police telling you that they had looked at it, is that fair to say?

A. That's correct.

Q. And are you aware of a municipality achieving the

172: level of case closure rate improvement that's on the order of magnitude as what you hope to achieve in the city of Detroit?

A. I don't know if we have looked at that in terms of understanding, number one, we certainly have not done a comprehensive view on every municipality in the country, so I can't say one way or the other whether there is another municipality that has had such poor case closure levels and then got to a national average level.

Q. And I didn't want you to canvas them all. I just want to know if there was even one that had gone from the single digits up into the 60th percentile.

A. Not that I can think of off hand.

Q. And I have this broken down by subset, but does the Bratton Group report and the McKinsey group report also address what may be necessary in order to improve case closure rates?

A. I think so. I mean, they focus on the issues.

Pg: 172 Ln: 24 - Pg: 174 Ln: 4

Designation:

172:24 Q. With respect to the Police Department's fleet, what is the average age of the fleet, do you know?

173: 1 A. It varies. You have to look at it by vehicle type. I don't recall off hand what the average age is right now, but generally speaking three years is a good target for fleet age.

Our reinvestment plan gets us to a four-year replacement. We have vehicles out there right now that are nine, ten years old that have hundreds of thousands of miles on them.

Q. Where did you get that three-year figure?

A. That would have been something that would have been provided by the department, or perhaps some other information that we used via benchmarking.

Q. Do you know what similarly-sized municipalities' fleet ages are?

A. Well, there are I'm sure many, many municipalities around the country that are similar sized, and I don't know what their fleet size or age is. Because if you think about when you say a similar-sized municipality, you can look at it based on residential population, you can look at it based on square miles.

Certainly we're not aware of very many cities that have the number of residents that the city of Detroit has as well as the square miles. Square miles tends to translate to miles driven.

Q. Fair enough. They're very dispersed over a larger

174: area than the typical city is what you're saying.

A. Yes. And there are fewer police officers now, substantially fewer police officers now, which means that people tend to have to cover a bigger area.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 174 Ln: 13 - Pg: 176 Ln: 16

Designation:

174:13 Q. Prior to June 14th, which is the date of the creditor
proposal, what determination had Conway MacKenzie made
about how many new police cars Detroit needed?
A. A plan was developed along with the General Services
Department which helps manage the fleet for the number
of vehicles that would be replaced by year.
Q. So a rolling --
A. Yes.
Q. -- improvement of the average age of the fleet.
A. Yes.
Q. Do you know how many new police cars Conway MacKenzie
recommended that the City buy in fiscal year 2014 to
replace the oldest year?
175: A. I can't recall the number off hand, but we have that
number, yes.
Q. Fleet expenditures are part of the anticipated uses of
the Quality of Life note?
A. Yes.
Q. And that means buying new police cars, correct?
A. Buying or leasing.
Q. And whatever was anticipated to be done back in June
is still what is anticipated to be done today?
A. Yes.

Q. Isn't it true that in August that a hundred new police cars were donated to the City of Detroit by private donors?

A. Yes.

Q. And I know that some of those cars have had to be outfitted with video cameras and so forth?

A. Yes.

Q. But isn't it true some of them are already on the street as we speak?

A. Yes.

Q. And others are anticipated to get on to the street in the next couple months.

A. Yes.

Q. I don't have a ton of experience with police departments, but I will suggest that even a city the size of Detroit that a hundred is a lot of police cars, is that wrong?

A. Yeah, it's -- that would be wrong. That's about 10 percent, actually less than 10 percent of the fleet size.

Q. Do you know how many you had proposed to buy in the first year?

A. I don't recall the first year, no.

Q. Was it more than 10 percent?

A. It very well could have been, yes.

Q. Did you reduce the amount of fleet spending in light of this donation?

A. No.
Q. Why not?
A. Because we want to get there as soon as possible in terms of improving the fleet.

Pg: 176 Ln: 17 - 25

Designation:

176:17 Q. So this is kind of a good example, if a private donor comes along and says here is, I can't remember the amount, may have been 8 million bucks or something like that, here's a hundred new police cars, your response to that is that's great, but I'm not going to change how much I'm going to spend on reinvestment initiatives because that will just help us get to our goals quicker.
A. Yes.

Pg: 177 Ln: 1 - Pg: 178 Ln: 8

Designation:

177: 1 Q. And can you give me a sense of the average age of the Detroit Police Department's facilities?
A. Average age of the facilities, I can't recall off hand.
Q. Do you think there's work product at Conway MacKenzie that reflects that?

A. Yes.

Q. And did Conway MacKenzie undertake a study of that question?

A. Yes, we spent quite a bit of time actually on the police facilities and worked not only with the department but also the General Services Department that maintains the facilities.

Q. And did you do the same thing for the fire facilities?

A. Yes.

Q. How do Detroit's police and fire facilities compare in age and functionality to comparable municipalities as we use that term earlier?

A. Well, this is, that is very difficult to measure, number one, whether or not you would even have that information publicly available from another municipality, but we're talking about something that is very qualitative in nature.

As an example, within the Fire Department, which has been widely stated, we talked about it quite a bit of time, the facilities, some of them are 80 plus years old. They can't handle the apparatus that the department has now, or should have.

So you could have a facility that might actually be in okay condition, but if it can't, and I'm not saying that the fire facilities are, but if it can't handle equipment that's necessary, that's a significant deficiency.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 178 Ln: 9 - Pg: 179 Ln: 3

Designation:

178: 9 Q. Understood. And my -- I guess my follow-up is, have you undertaken a study of the extent to which other municipalities face the same problem, like my home town, Detroit's famous for its Fire Department, and I'm sure it's got a lot of old fire departments and fire stations, have you taken a look at assessing the extent to which other municipalities have the same issue?

A. No. This is more decisions that are made as to how facilities need to be maintained.

Q. This was more just of an objective analysis which is we need all of our facilities to be able to house all of modern firefighting equipment.

A. I wouldn't go that far. We need our facilities to not be in disrepair such that there are significant safety issues.

Q. Do you know how much is anticipated to be spent on the

179: 1 police and fire facilities?

A. I don't have that number off hand, but certainly we have that number.

Pg: 179 Ln: 4 - Pg: 180 Ln: 18

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

Q. Now, with respect to things like patrol cars, improving facilities, et cetera, isn't it true that many of these initiatives will require requests for proposal?

A. Not necessarily.

Q. So like if you go buy police cars, do you get a request for proposal from different police car vendors?

A. I'm sure we would do that through an RFP process.

Q. Let me take a step back and ask more broadly, which is many of the reinvestment initiatives require third-party vendors to either sell goods to the City or to provide services, isn't it true?

A. Yes.

Q. Have you begun those RFP processes as we sit here today?

A. Yes.

Q. When did those begin?

A. There are activities that occur all the time, so we have been preparing for, as an example, the first fleet purchase that we are hoping will occur in the first calendar quarter of 2014, we've been preparing for that at this point.

There are other items where we have held off, and one of the primary reasons for that is there are a lot of vendors that don't like dealing with the

City to begin with. Add to that the fact that the City is operating in Chapter 9 and that makes it even more difficult.

Without the ability to clearly indicate to someone that money exists for this, we have a hard time getting the type of competitive responses we may otherwise get, and so ensuring that we can put forward a very confident and a sound proposal to people will enhance what we're able to get from that process.

Q. So having an additional $125 million in Quality of Life proceeds will enhance the RFP process because it will make more people willing to engage in that process, correct?

A. Yes.

Pg: 181 Ln: 2 - 18

Designation:

181: Is it fair to say that you were not involved in the effort to source the DIP?

A. Correct.

Q. And neither was Conway MacKenzie.

A. That's right.

Q. And is it also fair to say that you weren't involved in the analysis of which DIP to take?

A. Correct, I was not.

Q. So by sourcing, I mean the process that starts with going out to the market to find lenders and ends with settling on a specific lender.

A. The only involvement that we had is one of my colleagues participated in some due diligence calls from prospective lenders on the restructuring and reinvestment. That's the only involvement that we would -- that we had during the DIP process.

Q. Great. That's very helpful. Thank you.

Pg: 181 Ln: 19 - Pg: 182 Ln: 17

Designation:

181:19 Have you quantified the benefit of improving the Detroit Police Department's fleet and facilities on the level of services it will provide?

A. Again, not a linear relationship.

Q. It's more, if I can say, it's more general, which is that if they're better, services will be better?

A. This gets into, if we go back to this morning, there

182: 1 is a certain level of capital expenditures that will have to take place. At the rate the City is, or at the rate the department is going right now, there may not be cars available. So it's not a question of having a nicer vehicle. Many of the vehicles are inoperable and there are more becoming inoperable every day. So what is the cost of not having cars to be able to go out and take police runs? Very high.

Q. But the goal of the reinvestment initiatives and the restructuring initiatives is to get the City up to the level of average service provision, right? We established that earlier, correct?
A. Yes. On the fleet side we would like to get to a four-year replacement. That's what we have built into this. So there is some element of that that just has to be there, but there is an improvement over where we have been.

Pg: 182 Ln: 18 - Pg: 184 Ln: 13

Designation:

182:18 Q. I'll tell you in paragraph 14 of your declaration you talk about modernizing the Detroit Police Department's IT.
A. Yes.
Q. What is the DPD currently using?
A. There are a few different systems that are in use. First of all, there's a system by the name of C-R-I-S-N-E-T; however, the City does not have a
183: 1 comprehensive information technology system such that information can even be shared between precincts.
Q. Is the intention to move to a comprehensive IT system?
A. Yes.
Q. How much do you think that will cost?
A. The amount is somewhere I believe in the neighborhood

of 20 to $30 million.

Q. Do you know whether other, let's start with other comparable municipalities the way we used that term earlier, do you know whether they have comprehensive IT systems?

A. Yes.

Q. And do they?

A. Yes.

Q. What's your basis for that information?

A. We have worked quite a bit with the Michigan State Police Department, as well as counties in this area, and also other municipalities.

Q. In terms of?

A. The systems that are being used. As you can imagine, there is significant value in being able to share information across municipalities. Michigan State Police, as well as at the county level, is a coordinator of information shared between departments.

Q. Is there an industry standard type of software that people use?

A. There are some common systems that a number of the parties use.

Q. And is this shovel ready from the standpoint of you started the RFP process for this?

A. Yes, there was a selection process that was undertaken.

Q. Will this happen whether the Quality of Life proceeds are received or not?

A. That has not been decided. If the Quality of Life financing is not there, we would have to assess whether these, whether there could be adequate funds available to implement a system.

Pg: 184 Ln: 14 - Pg: 185 Ln: 15

Designation:

184:14 Q. How many police officers per citizen does Detroit have, do you know?

A. Police officers, there are various levels of police officers. There are police officers themselves, which right now there's approximately 1900 police officers, and that number's going down by day. Obviously there are about 684,000 residents, or at least that's the last estimate as of 2012.

In addition to the 1900 officers, there's about 400 or so lieutenants and sergeants, so all in there are about 2500 uniformed officers.

Q. Did you say 2500?

185: 1 A. 2500.

Q. I had 1900 plus 400.

A. Then there are also command officers as well and leadership.

Q. Even above the lieutenants and sergeants?

A. Yes.

Q. Taking all of them, how do they compare to other similarly-sized municipalities? Let me strike that.
How does it compare to the comparable municipalities we talked about earlier in terms of police personnel per citizen?
A. It's across the board, or it's all over the place in terms of averages.
Q. Sometimes Detroit's better and sometimes it's worse?
A. Yes.

Pg: 185 Ln: 16 - Pg: 191 Ln: 6

Designation:

185:16 Q. And what about with respect to the competitive municipalities as we defined that term earlier?
A. It's very difficult to compare the Detroit Police Department to any surrounding municipality given the size, the amount of crime that takes place, so it is not really a relevant comparison.
Q. Do you have work product, do you know, that puts this all in one place and says here's how we stack up from a personnel standpoint on the policing front?
A. I don't know if it's all in one place. There
186: 1 certainly are a number of these that exist.
Q. This analysis has been undertaken?
A. Yes.
Q. You just don't know if it does exist?

A. Yeah, I just don't know if it's all in one place.
Q. Okay. How many new police personnel does the City plan to hire?
A. Approximately 275.
Q. So that's about a 12 percent increase in the size of the force?
A. Yes.
Q. And when will it hire them?
A. As soon as we have adequate financing.
Q. About how much are the new police officers anticipated to cost?
A. Well, what we're actually looking to do is there are a number of uniformed officers that currently perform administrative and clerical duties, so we are planning on hiring civilians, non-uniform personnel, and then moving the uniform personnel into typical police officer-type duties.
Q. This is the so-called civilianization initiative?
A. Yes, that's exactly right.
Q. Do you have to modify the collective bargaining agreement of any of the police unions to achieve this?
187: A. There's an argument as to whether the collective bargaining agreement is still effective for the DPOA, but the others have expired.
Q. Do you agree that the DPD's command staff is too top heavy?
A. Not anymore.

Q. So that problem's been remedied?

A. Yes.

Q. Do you agree that there may be additional grant funding that could be out there to help the, improve the DPD?

A. I think that there certainly are opportunities in the grant area.

Q. About how much do you see in the way of opportunities in this area?

A. Not sure. It would be very difficult to have a number right now because right now the department has a very poor grant management function, and so we're trying to remedy that, and then we will have a better sense as to what might be available.

Q. And those grants would be ones that would be able to be used to serve some of the same purposes of the reinvestment initiatives, correct?

A. Perhaps.

Q. With respect to the anticipated spending that was in

188: the creditor proposal for the DFD and for EMS, fire and EMS, those numbers also came from Conway MacKenzie's work, is that correct?

A. Yes.

Q. Isn't it true that 60 percent, it's estimated by the Detroit Fire Department that 60 percent of its runs are for vacant structures?

A. Yes.

Q. And isn't it also true that as part of the blight remediation effort the City hopes to dramatically reduce the number of vacant structures?
A. Yes.
Q. And that's good because it will allow firefighters to perform other tasks, correct?
A. Yes.
Q. And it will reduce wear on the fleet and equipment?
A. Yes.
Q. It will reduce redundancy of operations, correct?
A. Yes.
Q. And have you calculated the interplay between blight remediation and what the needs of the Fire Department are?
A. Could you clarify that question?
Q. Yeah. So when you were undertaking your work back in January to June of 2013 and you were assessing the stages you went through in terms of identifying goals and what it takes to implement them, do you remember that?
A. Yes.
Q. At that time there were in fact whatever the number is, 78,000 structures, or I don't know what the numbers are, there was a bunch of different ones.
A. Yes.
Q. They were what they were?
A. Yes.

Q. Now, it is anticipated under your proposal that a lot of these structures will be knocked down over the next one, two, three years, correct?
A. Yes.
Q. If 60 percent of your runs are being driven by structures that will no longer be there, would you agree that that's a very material component of assessing what the needs of the department will be over the next three years?
A. To a certain extent.
Q. Did you knit those two things up for your analysis?
A. We have said numerous times that there is not a direct relationship between blight and dollars that are spent in other areas; so while the existence of blight certainly can impact a department and what it gets
190:
worked on, what we have been very careful not to do is to suggest that by eradicating blight, 60 percent of the department can go away. That does not, that can't happen.
Q. But that's -- I understand that, but what about the idea that eradicating the blight might by itself provide such a dramatic opportunity for enhancement in Fire Department service provisions that it doesn't independently require a significant outlay of money?
A. How would blight do that?
Q. By reducing the number of runs by 60 percent, because that just seems like a massive, I mean, I feel like if

you walked in and told the police chief you're going to have 60 percent fewer runs this year, he might say okay, now I can do all the things that I have wanted to do, he might, yeah, have some facilities that are out of date.

I understand it wouldn't be perfect, but the blight remediation alone seems extremely material. My questions are aimed at understanding how did you knit in the beneficial impacts of blight on your fire restructuring initiatives and reinvestment initiatives?

A. Well, the elimination of blight is not going to cause more revenue to come into the Fire Department. If you

191: are arguing that the expenses of the department get cut substantially, and as a result those savings can go to these items, we don't believe that that is the case, that you can cut the expenses of the department, which in the Fire Department over 90 percent of all the costs are labor related.

Pg: 191 Ln: 7 - Pg: 193 Ln: 23

Designation:

191: Q. Do you anticipate hiring additional firefighters?
A. In the short term, yes.
Q. In the short term.
A. Yes.

Q. But you're not just hiring them for the short term, right? You're hiring them on as new FTE?

A. Well, there's a level of attrition that exists, and so that attrition has been going on for quite some time without replacement firefighters. Firefighters have to come in to get to a certain level of staffing that's required.

As time goes on and attrition continues to occur in the ordinary course, then there's a question as to whether the department will have to hire at the level of attrition or if it will be able to scale back a bit.

Q. How many firefighters are expected to be hired in the short term?

A. The number is a hundred, a little over a hundred.

192:

Q. And that's compared to how many that it already has?

A. Right now, and just to clarify, the Fire Department includes the EMS division.

Q. Okay.

A. When you talk about the total Fire Department, there are approximately a thousand employees. Just on the firefighting side I think it's 8 to 900, around 800 or so right now.

Q. So this is, if -- did you say a hundred new ones?

A. Yes.

Q. So it's about 11 percent?

A. Yes.

Q. Firefighters to firefighters?

A. Yeah.

Q. Isn't it true that the City engaged a fire efficiency expert on October 28, 2013?

A. Yes.

Q. And prior to that time it had not engaged one, correct?

A. Correct.

Q. And who is that?

A. The name of the organization is TriData.

Q. Are they a consultancy that like the Manhattan Institute helps you improve your fire department just as the Manhattan Institute helps you improve your police department?

A. Yes.

Q. Now, TriData, TriData's final work product will not be produced until March 2014, isn't that correct?

A. Yes.

Q. How much do, is it anticipated that they will cost, do you know?

A. I don't have the number off hand.

Q. Why did the City wait over three months after filing bankruptcy to hire a fire efficiency expert?

A. I don't know what the reasons for the delay were. We undertook an RFP process and recommendations were made as to the vendor that should be selected and there was some period of time prior to them actually getting engaged.

Q. You had one on the police front from the prior the cases being filed, correct?

A. Yes.

Q. And you knew you were going to need a fire efficiency expert at the time you filed the bankruptcy cases, isn't that a fair statement?

A. Yes, I believe we had the RFP outstanding at that time.

Pg: 194 Ln: 13 - Pg: 196 Ln: 1

Designation:

194:13 Q. For example, you talk in your declaration about things like there being too few reserve vehicles in the Fire Department?

A. Yes.

Q. Or is it none, at times there are no reserve vehicles?

A. Correct.

Q. What's the average reserve vehicle that a municipal fire department will have?

A. Well, it all depends on the response times. The national studies look at where the vehicles and the equipment are and they look out in four and eight-minute increments. So it's all a matter of how many operable vehicles you have to service a

195: 1 four-minute area or an eight-minute area, and right now the Detroit Fire Department has significant issues in terms of the number of vehicles that it typically has and the number of battalions, if you will, that are open on any given day.

Q. Do you remember earlier that we were talking about the anticipated amount of police investments over the next five years that was disclosed in the proposal to creditors?

A. Yes.

Q. And I asked you whether personnel was baked into those numbers?

A. Yes.

Q. And you said no?

A. Correct.

Q. In the pages that follow, just to streamline this, there are also numbers that are disclosed for the Fire Department?

A. Yes.

Q. Are the personnel hires included in those numbers?

A. I don't believe that they are, because without opening the book, those were mainly focused on our three areas of capital expenditures, fleet, facilities and IT.

Q. Are you going to hire the new police officers whether you get the Quality of Life note or not?

A. We don't know.

Pg: 196 Ln: 6 - 7

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

196: Q. Same question for the firefighters.
A. I don't know.

Pg: 196 Ln: 8 - 23

Designation:

196: Q. Now, as of the June 2014 proposal to creditors, about how many different, how many additional ambulances did you think that the City needed to purchase?
A. I can't recall the number of ambulances specifically. That certainly is in the schedules though.
Q. And isn't it also true that in August of 2013 that 23 ambulances were donated to the City by private donors?
A. Yes.
Q. And those are all actually in action now, isn't that correct?
A. I believe so.
Q. Did you treat that in the same way you treated the incremental police cars, which is great to have but doesn't reduce our need for Quality of Life proceeds anyway because it will just help us get there faster?
A. Yes.

Pg: 196 Ln: 24 - Pg: 198 Ln: 16

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

196:24 Q. What are the problems with the Fire Department and EMS information technology?

197: 1 A. Similar to the Police Department where the information that exists, right now when the department responds to a call, it doesn't necessarily know what it's getting into.

So it doesn't know information on the structure, it doesn't know if it has visited the address already multiple times. Having that information available to the firefighters on exactly where to go, even taking a step back, where it has to go in terms of the fact that there's a call.

Right now in the Fire Department, in the various departments right now, the various facilities, they use mechanisms like having a pop can in front of the fax machine so that when a fax comes in for a call that they have to go on, it knocks the can over to alert people that there's something that needs to occur.

So there's no technology right now to actually make the department aware that a call is coming in, to provide all the necessary information that they need to go on that call, and these are the types of deficiencies that exist.

Q. So I don't mean to be flip, but are you saying that the Fire Department gets fire alarms via fax

198: currently?

A. Yes.

Q. For all of them?

A. Not all of them. Some departments are, some facilities are even worse.

Q. So you mean there's some central, is there some central dispatch that gets the 911 calls for both police and fire?

A. Yes.

Q. And when they route it to the Fire Department, are you saying best case scenario they send a fax, worst case scenario they do something more informal like pick up the phone?

A. I don't know if I would call the best case scenario the fax, but these are the types of things, contraptions that have been rigged in order to alert people that they have a run to go on.

Pg: 198 Ln: 20 - Pg: 203 Ln: 7

Designation:

198: Q. What are the problems with the City's technology infrastructure? I know it's antiquated with little integration, but I was hoping you could explain with more detail what's the problem and how do you expect to fix it.

A. Okay. First, the City has no set standards that it

199: follows, or that it has followed with regards to information technology. As a result, a number of applications have been implemented over the years that don't talk to one another at all, and because of that lack of integration, in many instances there are actually duplicate systems running within the same department, where both may be very highly manually oriented, people are having to manually enter the same information into two or sometimes even three different systems.

The information itself doesn't, is not shared, so there are so many things that the City may do with a particular business, as an example, between licensing or permitting or inspecting, and there's very little interaction among the services that get performed for the same physical location.

Then, as you take it even a step further, when you talk about sources of revenue, property taxes as an example, the tying together of tax, property tax information and collection information with these other services that are going on, so the lack of integration and the lack of the ability to consolidate this information makes things very difficult to be efficient and to maximize what sort of revenue can be realized.

200: Q. I take it the solution is to have a common ERP system?
A. Common ERP system is certainly one element. The

current ERP system that the City uses is an Oracle-based system called Dreams (DRMS). It was implemented approximately 15 years ago, never implemented, never fully implemented. It's way past when it has any support.

Replacing that system is a very important element. You can still have other systems for department-specific needs, but it's ensuring that there's integration among the data that is very important.

Q. What is the ERP system that you recommend the City moves to?

A. There are three different paths that have been evaluated. A decision has not been made. The three paths are to re-implement the Oracle system to bring it to a current version, because the system -- City customized the existing system so much, it's essentially a new implementation of Oracle, so that's path one.

Path two is to undertake a selection for a new ERP system, and path three is to move to what is being developed by the Michigan Municipal Services Authority, I think it is, the MMSA, where they are

201:

trying to implement a system that can be hosted and used by many municipalities.

Q. What are the three different costs of each of those options, do you know?

A. Yes. Plante Moran is an outside firm that has, this is one of the areas that Plante Moran has been involved in, and they've evaluated the potential cost with those three alternatives. I don't have the numbers off hand.

The number that we've included I think for the ERP system in our restructuring and reinvestment was in the neighborhood of 25 to $30 million.

Q. I misunderstood Plante Moran from the materials. Are they providing services as an IT consultant?

A. That is one of the services that they are providing. They're an accounting firm, however, they have consulting services and the two biggest areas where they are involved is with the assessor's office related to property taxes and they also have been involved on the IT side. They perform other services in the finance area as well including the accounting.

Q. So this is something I know a little bit about, enough to be dangerous anyway, not from firsthand by my father-in-law was the CIO of Honeywell; so one of the things I know about ERP systems is changing over from

202: one system to another is a very complicated thing for an enterprise to do. Do you agree with that statement?

A. It can be.

Q. And it's also something that is very difficult to do because while you're making the transition, you need

to try to keep providing services as you go.
A. Yes.
Q. When did Plante Moran begin assessing the problem of what ERP system the City should use?
A. I don't know specifically when it began its work, but the requirements definition work, which is what I was referring to and that was done to determine what the potential paths were -- were going on during this time period of what we've been talking about, January through June.
Q. You think they were working during that time period.
A. Yes.
Q. You just can't remember what they started.
A. Correct.
Q. Have they come, had they reached a final conclusion prior to June 14th about the three different paths?
A. I believe that they published their final report after June 14th; however, we certainly were having conversations with them prior to that time about what the potential number could be.
Q. Okay. So you were getting informal feedback from them even if it preceded their final report?
A. Yes.
Q. And you used that informal feedback to size the amount that would be spent on City ITS?
A. Yes.

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Pg: 203 Ln: 8 - Pg: 205 Ln: 4

Designation:

203:
Q. Let's talk about blight if we could.
A. Okay.
Q. Who is charged with developing the blight remediation plan for the City of Detroit?
A. Currently that's Roy Roberts.
Q. Has he done that?
A. He is in the process of doing that.
Q. When will he be done?
A. He has indicated that he plans to have some recommendations in January.
Q. It's my understanding that I think over the, I think it was the five years starting with fiscal year 2014, the proposal to creditors assumed $400 million of blight remediation, does that sound accurate to you?
A. It's actually $500 million over six years.
Q. I think it was 500 over six and 400 over five.
A. That's correct.
Q. How was the size of that spending determined?

204:
A. It was based on, first of all, identifying that this would be limited to residential blight elimination. Secondly, going off the statistics that the City had in terms of the typical cost to demolish a lot, the number of lots and structures that were anticipated to be demolished, and then also where savings could be

realized from perhaps taking some different approaches than had been undertaken in the past.

Q. So I don't mean, this is not meant to be flip at all but let me see if I can understand. Was it as simple as taking that I think $8500 a structure number that's in the proposal to creditors and multiplying that by the number of anticipated vacant residential structures?

A. The -- yeah, we actually came up with a lower number. It was sort of a range, but yes, that was figuring out what we could potentially reduce the per structure amount to, also incorporating non-structural blight removal, and then the number of units that were potentially going to have to be addressed to come up with that total estimate.

Q. So it was very aggregate in the sense that you were descending from the assumption that you would remediate all of the residential vacant structures over the ensuing six years, correct?

205: A. Correct.

Q. And that's how you sized the amount to spend doing that.

A. Yes.

Pg: 205 Ln: 5 - 8

Designation:

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

205: Q. Now, Mr. Roberts is coming along and figuring out how to specifically deploy those amounts during that six-year period, correct?
A. Yes, or whatever period he determines.

Pg: 205 Ln: 9 - Pg: 206 Ln: 5

Designation:

205: Q. You agree that an uncoordinated effort to remove blight will result in inefficient application of scarce resources?
A. That is one potential risk.
Q. What entities need to coordinate in order to avoid this outcome?
A. There are various agencies within the City, first of all, that are, that need to be coordinated, such as the Planning Department, Building Safety and Engineering, outside parties such as utility companies. There is the legal system, in order to ensure that the appropriate title exists, in order to perform these activities and the right steps have been undertaken, and then depending on what types of dollars we're talking about, perhaps other governmental agencies as well, including the State.
Q. How much of the, if the Quality of Life note is
206: approximately 120 million, which is I know an assumption, about how much of that will go to blight

remediation?

A. I think in fiscal year '14 that number's around $35 million that we have.

Pg: 206 Ln: 6 - Pg: 210 Ln: 25

Designation:

206: 6 Q. And is Detroit shovel ready to deploy $35 million of blight removal monies from the Quality of Life note proceeds in the next six months?

A. Demolition activities have been occurring, and continue to occur right now. The City receives money through grant sources that it uses for demolition.

In addition, you're probably aware of the Hardest Hit funds that were awarded to the City that are being deployed right now.

Q. That is actually a good anticipation of the next question, which is, the City's currently engaged in substantial blight remediation efforts as we speak, isn't that correct?

A. Depends on how you define substantial.

Q. It has knocked down thousands of structures over the last year.

A. I think, I don't have the exact number, but it would be probably north of a thousand.

Q. Now, with respect to the Hardest Hit fund, the MSHDA?

A. Yes.

207:

Q. Is now allocating $52 million from that fund for blight elimination on four to 6,000 structures, is that correct?

A. Yes.

Q. And that money is ready for deployment today, correct?

A. Correct.

Q. About how long will it take to deploy that money into the hands of the contractors that remediate the structures?

A. Based on the process that has to be followed under MSHDA, we're anticipating about 18 months.

Q. So I guess what's your ability to burn blight remediation cash starting January 1, 2014, if I walked up to you and said, Mr. Moore, here's a hundred million bucks, I want you to get started right now knocking down residential structures, about how quickly could you get that money out the door to the contractors and all the other people that go into knocking them down?

A. I think the answer is pretty quickly. What we would want to make sure that we do is deploy the dollars in the best way possible, and so that means not only deciding specifically where we are going to deploy, but also how we will deploy those dollars.

Q. And how long do you think that takes?

208:

A. That is the process that there is a blight task force and they are undertaking all of their activities right now and they're planning on publishing something, their recommendations, in the month of December.

Mr. Roberts will be using that as an input in terms of his recommendations that he will make to Kevyn Orr in January.

Q. And as we talked about earlier, once you get the blight remediation plan you still need to coordinate with all the different departments that go into remediating blight?

A. Yes, and this is what's going on now, specific recommendations of how those steps will be carried out.

Q. But you understand the idea that like not everyone in the world remediates blight for a living in terms of there being contractors to whom you can give the money to go knock buildings down?

A. We certainly know of the contractors that are available for this, yes.

Q. And are they not operating at capacity as we speak or are they capable of scaling up?

A. They're capable of scaling up.

Q. Have you made a study of the extent to which, I'm talking cash flow out the door directed at blight remediation, have you made a study at what's the maximum burn rate you can ramp up to starting in January?

A. That was the basis for doing it over six years. We felt that the capacity constraints were such that deploying approximately 100 million per year was where we would be.

Since that time, however, and this will be confirmed by the blight task force when they complete their work, we believe that there are ways to deploy that money even quicker to remove some of those constraints.

Q. And if I have it right, the view of Conway MacKenzie when it made its restructuring and reinvestment initiative recommendation was that 600 million, $500 million over six years was an appropriate spend for the City of Detroit on its blight problem.

A. Yes.

Q. And that was $50 million each of the first two years followed by four consecutive years at $100 million, correct?

A. Yes.

Q. Now, since the time you made that report though, the Hardest Hit fund funds have come in from the MSHDA, is that correct?

210:

A. Yes.

Q. And in addition, since the time you made that recommendation, there are HUD grants in the amount of approximately $12 million that have been repurposed to allow for blight remediation, isn't that correct?

A. This is a primary source of funding for the demolition efforts that have gone on in the past; so there are consistently grant dollars that are made available for demolition.

Q. I had been under the impression that it was a recent development that certain HUD funds totaling $12 million had only recently been capable of being repurposed to blight remediation of the time we're talking about here.

A. I would have to go back and check my notes, but if you're referring to the recent federal announcement of 300 million or so, some of that is, in fact a good amount of that is money that already existed and had been available to the City.

Q. Available but not spent, right?

A. Correct.

Q. So to the extent I'm right, 12 plus 52 is 64 million that Detroit has today to spend on blight remediation, correct?

A. Yes.

Pg: 211 Ln: 1 - 16

Designation:

211: Q. And is your attitude with respect to that grant similar to the attitude we talked about with the new police cars, which is, to the extent there's additional blight remediation money, we'll put it with the blight remediation money we plan to spend anyway and just go that much faster?

A. It is not an apples to apples comparison necessarily. A dollar provided through MSHDA for blight elimination is not as efficient of a dollar that we have developed in our plan.

So we only get about 50 cents in terms of bang for the buck. Roughly speaking, that $52 million that we could get for blight through MSHDA and the Hardest Hit funds would be equivalent to about $26 million from the approach that we've taken here on blight removal.

Pg: 211 Ln: 17 - Pg: 212 Ln: 1

Designation:

211:17 Q. I saw somewhere that MSHDA had like hired demo costs.

A. Yes.

Q. Like are their demo costs 10,000 and you think you could do I thought it was 8500?

A. Yes, and we think we can even do that cheaper. There are other elements to the MSHDA costs. MSHDA also, the amount involves ongoing maintenance as well.

Q. I see.

A. So the total amount per lot is far greater than what

212: 1 we were looking at per lot.

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Pg: 212 Ln: 2 - Pg: 214 Ln: 4

Designation:

212: Q. So you're saying think of a MSHDA dollar as 50 cents if I want to make a comparison to the way you can deploy blight remediation capital directly from the City.

A. Yes.

Q. Isn't it true that the City has undertaken certain reinvestment initiatives in itself since it's filed for bankruptcy separate and apart from the capital R, capital I, reinvestment initiatives?

A. Well, the items, I'm not sure which items you're referring to.

Q. I was just trying to establish the concept generally that the City's not just standing still with respect to reinvestment and restructuring as we sit here today waiting for the Quality of Life note to be approved.

A. There are some activities that are underway, but a substantial amount of activities are really sitting on hold pending the Quality of Life financing.

Q. That may be true but I do want to talk about the ones that are already underway independent of the Quality of Life financing.

Can you describe the amount of dollars that the City will invest in reinvestment initiatives prior to obtaining the Quality of Life note?

213: A. I think that right now looking at the types of things that we have in here, we have maybe $20 million over the first six months of fiscal year '14. I think maybe 18 million actually. So on average about $3 million per month that the City will deploy.
Q. No matter what.
A. Yes.
Q. Okay. And it's also undertaken substantial restructuring initiatives, correct?
A. It all depends on how you define substantial.
Q. Fair enough. It has undertaken restructuring initiatives to date in advance of the Quality of Life note being approved, correct?
A. Well, a big part of the restructuring is actually hiring people, and we're looking at bringing in 500 people, plus we have to make up for some attrition that has happened.
We have received approval to hire 75 or so, so the activities that are pending the financing are substantial. It's a much smaller portion that actually has been approved and is going on.
Q. And have you undertaken a study of what reinvestment efforts the City could undertake in the next two quarters without the Quality of Life proceeds?
A. We know that if the City undertakes the planned
214: restructuring and reinvestment activities that are in the forecast, and there is no Quality of Life loan

proceeds, it is projected that the City will run out of cash by May of 2014.

Pg: 214 Ln: 5 - 11

Designation:

214: 5

Q. I see. So if they use your schedule for -- if they do 20 million bucks a month for the first six months of 2014, they will be out of cash by the middle of 2014.

A. Yes. And you're referring to calendar year in both of those statements.

Q. I was. Thank you.

A. Yes.

Pg: 214 Ln: 12 - 19

Designation:

214:12

Q. Now, if the -- there's about $120 million that is six times 20 during the first half of calendar year 2014, correct?

A. Yes.

Q. If the City wanted to maintain a $50 million buffer that was the threshold that you had identified earlier, do you remember that?

A. Yes.

Pg: 215 Ln: 2 - Pg: 217 Ln: 13

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Designation:

215: 2
Q. So let's go back to what you said earlier. You said there's no QOL proceeds?
A. Yes.
Q. But we still do the QOL reinvestment initiative?
A. Yes.
Q. As if we had gotten the proceeds?
A. Yes.
Q. If we do that, which roughly anticipated $20 million a month over six months, that's the kick start, right?
A. Yes.
Q. The City will have no cash at the end of that six months.
A. Correct.
Q. I'm going backwards and saying, okay, if I decide that Mr. Moore's a smart guy who is right to say the City should have at least 50 million bucks at any time, and I say 50 million is out of cash, by negative extension can't I do 70 million of reinvestment initiatives and still have that 50 million at the end?
A. When I said that the City will be out of cash, I mean literally negative balance, not hitting a $50 million threshold. The City would be out of cash by May of 2014.
Q. Right, that means it would have zero cash.

216: 1
A. Yes.

Q. Because it would have spent 120 million out of its own money rather than borrowing it.
A. Yes.
Q. Now, let's pretend that we don't do that and we say that we'll stop when we get down to 50 million at the end.
A. Okay.
Q. Can't we spend 70?
A. Well, first of all, I referenced that the City would be out of cash by May.
Q. Okay.
A. Of 2014. And so we are talking about four months prior to that, that's $80 million. If we want to use a $50 million threshold, then we're talking about 30 million.
Q. Okay. Understood. So it could do 30 million of reinvestment initiatives.
A. Potentially. I would want to look at that because that negative balance actually grows into June; so just because we would, and by the way, it's negative something, and we were, in our exercise that we were just going through, we were treating it as zero, but it's a negative number in May, and then it becomes even more negative in June.

217:
Q. Is this something that you have looked at as you sit here today or have you not?
A. Those cash balances as to what they would be? Yes.

Q. I mean, do you have a plan B for if the Court says, no, I do think that we should wait, I understand that the problems are pressing, but we'll get to them in our own way, we'll do it in a different way than you all want to do, do you have a plan B for that?

A. As I say in my declaration, all we know is that we'll have to substantially cut back the restructuring and reinvestment and we will have to determine what if any cash will be available for restructuring and reinvestment.

Pg: 217 Ln: 14 - 22

Designation:

217:14 Q. Have you made a study of which of the reinvestment initiatives will save lives and which will merely improve the provision of services within the city, so I'm comparing for example a new police car as something that might save a life, whereas a better ERP system would improve the services in the city but only at the most attenuated levels do we think of ERP systems as saving lives, do you understand the distinction?

Pg: 218 Ln: 1 - 21

Designation:

218: 1 A. I do understand. I don't like to get into trying to get my arms around all of the indirect relationships that could exist. I'm not saying that it's easy to form a relationship between an ERP system implementation and saving lives, but what we are talking about is a municipality that is there to service residents, and if that municipality is not able to service its residents for whatever reason, if it can't process revenue that it receives or even send out bills in the right way, does that mean then that the City does not have resources to put towards law enforcement?

And without those law enforcement resources, does that result in a fatality? There are a number of indirect relationships that could exist, so I really hesitate to say this doesn't have an impact on people's lives.

BY MR. HACKNEY:

Q. So you haven't given consideration then to which of the proposed reinvestment initiatives will save lives and which will not?

Pg: 218 Ln: 23 - 24

Designation:

218:23 A. We have not categorized the restructuring and reinvestment in that way.

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Pg: 219 Ln: 1 - Pg: 220 Ln: 12

Designation:

219: Q. Now, at some point in time did you, obviously you have today developed the belief that the City would need the DIP loan in order to effectuate the restructuring initiatives?
A. Yes.
Q. So you know that as you sit here now, when's the first point in time at which you knew the City will need a loan to do what I think it needs to do?
A. From the time that we put together the plan, so in June of 2013, we have been focused on how do we get going on these initiatives. Cash availability has always been a very important aspect of those conversations.
Q. Okay. But when did you know that you would need the QOL note to do the reinvestment initiatives?
A. I don't know specifically but I certainly recall having these types of conversations in August.
Q. Okay. Because they were out there sourcing it by the end of August, third to fourth week of August is when they start sourcing it.
A. I think that's right.
Q. But didn't you know, you're a sophisticated guy, didn't you know prior to that time that the City's

cash position was not good?

A. Certainly.

220: Q. So as -- by logical extension, didn't you think it was likely that it would have to borrow to fund reinvestment initiatives before it filed?

A. Very possible, yes.

Q. Now, the City did not begin sourcing the DIP loan until the third or fourth week of August, isn't that correct?

A. I think that's the time frame, yes.

Q. And that represents a five or six-week delay between the filing of the case and that point in time, is that correct?

A. Yes.

Pg: 220 Ln: 24 - Pg: 222 Ln: 8

Designation:

220:24 Q. Well, if they had had the DIP loan ready day one, which as you know in bankruptcy is common, right?

221: A. Motions for DIP financing in bankruptcy, in corporate bankruptcy, are common. As far as I'm aware, this is the first post petition financing in a Chapter 9 case ever.

Q. Okay. Didn't you also understand that the City would likely require a DIP loan in order to exercise the swap termination rights? I know that wasn't your principal obligation but you were tracking that story, right?

A. I was aware that in order to effectuate the proposed settlement that the City would need to come up with cash somehow.

Q. And it was likely to borrow it?

A. Yes.

Q. You knew how much cash they had, right?

A. Yes.

Q. And you knew the approximate size of the swap termination from the newspaper reports?

A. Yes.

Q. And you knew the terms of the swap deal prior to or on the day of the filing because that's when that motion was filed, right?

A. Generally, yes.

Q. To your knowledge when was the decision reached to seek DIP financing?

222: A. I don't know. I was not involved in that decision.

Q. Is it your position that lives will be lost if there is an additional time period here of delay to consider the DIP as part of a plan of adjustment?

A. The implications of not being able to begin the restructuring and reinvestment program could be very significant, including lives being lost. We don't know.

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Pg: 225 Ln: 12 - Pg: 228 Ln: 20

Designation:

225:12 Q. Do you have Exhibit 6 in front of you?
A. I do.
Q. Did Conway MacKenzie prepare this document?
A. No.
Q. Do you know who did?
A. Ernst & Young.
Q. Have you seen this document before?
A. Yes.
Q. This document as I understand it identifies the funding that was part of the federal funds announcement that was made on September 27, 2013, is that also your understanding of what this document is?
A. Yes.
Q. I know that you didn't draft this document, I know you only saw it, but I'm going to ask you questions about the document from your personal knowledge.
So don't conflate like because it says it here it means it's true. I'm asking you if it is true.
A. I understand.
Q. If you look down there at the bottom in the left-hand corner there's a number which is 368.1 million, do you see that?
A. Say that number again?

Q. 368.1 million is right here.
A. Oh, yes, bottom left corner, I thought you said right corner.
Q. I misspoke if I did. So as I understand it, that tallies this column right that I'm pointing to here on the far left, which is all comprised of different amounts.
A. I believe that's the case.
Q. So for example, do you see that there are, as part of that announcement there was $65 million in HUD Community Development Block Grants?
A. Yes.
Q. And that was money that could be used for blight eradication, is that correct?
A. Yes.
227:
Q. And in fact there was $52 million from the Hardest Hit Fund that we described earlier, correct?
A. Yes.
Q. If you look at the philanthropic and business org line entry all the way down to the HUD Neighborhood Stabilization Program 2 entry, that suggests there is about $20 million available for commercial blight remediation, is that correct?
A. Yes.
Q. And to your knowledge is that correct that those funds are now available to the City for that form of activity?

A. I don't know.

Q. Fair to say that the, many of the activities that the federal funds can be used for are in similar areas to the focus of the reinvestment initiatives?

A. Specifically blight, if that's what you're referring to, yes.

Q. For example, one of the newly identified funds was $25 million from FEMA to hire 150 firefighters, correct?

A. Yes.

Q. And is it correct that that $25 million in funds was newly identified on 9-27?

A. The SAFER grants, which is what that refers to, actually the City has been awarded that in the past as

228:

well; so this is essentially the next version of that SAFER grant.

Q. I take it so it's something that you hope and expect you'll get every year but you don't know that you got it until they say that you did?

A. That's correct.

Q. But I guess given that nothing in life is guaranteed, that was something that was confirmed on September 27, 2013, that will allow an additional 150 firefighters to be hired, is that correct?

A. Yes.

Q. And in addition there's a D.O.J. grant below for $3 million that relates to hiring new police officers, correct?

A. Yes.

Q. So I won't make you go through all of these line by line, but I do want to ask you some general questions about the concept of grants from state and federal authorities.

A. Okay.

Pg: 228 Ln: 21 - Pg: 230 Ln: 6

Designation:

228:21 Q. And what I want to ask you is, how did you take it into consideration when you were formulating the reinvestment initiatives? Did you do what we talked about earlier, which is to the extent there is a federal or a private grant that allows for the advancement of things that are like the reinvestment initiatives, that's great, it will help us get there faster, but I'm not reducing the amount that I'm recommending we spend?

A. There are a couple of items. First of all, leading up to the proposal for creditors, so leading up to that June 14th date, certainly we anticipated that there was a chance that we may be able to identify other sources of funds that could go towards this, but at that point we didn't know what those funds could be or what the sources would be.

And so as part of laying this out to the overall restructuring team, there was a provision made in the note that one of the three ways that principal is paid on that note is if we receive money from other sources to go towards our plan.

So it was sort of a catchall, if you will, we don't know what the amounts may be, but to the extent that we receive amounts, then those would go towards paying on the principal portion of that note, the $2 billion note.

Q. And what, would amortize it faster?

A. Yes, there was no amortization in that note. Principal would only be paid based on those three things, those three conditions being, or in existence.

230: Q. The three conditions, if there are other funds and if they can be used?

A. One related to higher than forecasted revenue, next one related to proceeds from asset sales, and the third one related to cash from other sources that could go towards the plan.

Pg: 230 Ln: 7 - 22

Designation:

230: Q. Okay. Let me turn it around on you a little bit though, which is to say, even if you can't get the Quality of Life note proceeds in the time frame that you want them, and I believe that the City needs them, isn't it true that the City will still be able to spend the grant monies that are identified on this piece of paper to the best of your knowledge?

A. I don't know. I think that that is correct but I don't know for sure. I just don't know all of the conditions that exist relative to the use of these funds.

Q. And I take it you have not undertaken a study of that question?

A. Not me, no.

Q. And Conway MacKenzie also has not?

A. Correct.

Pg: 230 Ln: 23 - Pg: 232 Ln: 4

Designation:

Q. Mr. Moore, has Conway MacKenzie conducted any analysis of how the proposed reinvestment initiatives will improve creditor recoveries?

A. Just in general.

Q. What do you mean by that?

A. We believe that if the City can be made an attractive place for residents and businesses to locate, that that will potentially result in higher revenue or at least stabilizing the revenue and not seeing substantial declines, which have occurred over the last several years, and there is a potential for reduced expenses as the City is able to operate more efficiently.

If there is more revenue and/or lower expenses and net cash flow from operations is a source for creditor recoveries, then that would increase the amount that is potentially available for creditors.

Q. Because it would be deployed to amortize the $2 billion note?

A. Or whatever is decided in terms of how creditors get a recovery on their claims.

Q. And have you taken any effort to quantify that analysis?

A. Well, we certainly, there's already $350 million in added revenue in the forecast. The forecast is somewhat stabilized and there's $350 million of additional revenue that is anticipated based on these activities occurring.

There are also some cost reductions that are netted into the numbers that we're talking about here that are also based on the expenses being incurred, expenditures made.

Pg: 232 Ln: 5 - Pg: 233 Ln: 6

Designation:

Q. You understand that the proceeds of this $350 million facility are going to be senior to all the unsecured creditors, correct?

A. I do.

Q. The facility that will be senior I should say.

A. I have not spent time on that specifically but that's my general understanding.

Q. Do you have work product anywhere that shows what creditor recoveries will be in the absence of the Quality of Life note and compares it to what they will be in the presence of the note?

A. We do not.

Q. And if I asked you for any, you've described almost at a thematic level what could happen if the Quality of Life reinvestment initiatives are undertaken, fair statement?

A. Yes.

Q. You haven't made an effort to analyze the actual impact on creditor recoveries as a specific dollar amount if they are or are not taken, correct?

A. Well, creditor recoveries are going to be determined

233: based on a plan of adjustment, and the plan of adjustment and what gets proposed for various classes of creditors is not something that I am heavily involved in.

Q. And so it's fair to say that you haven't done that.

A. Yes, I think that's fair to say.

Pg: 233 Ln: 7 - Pg: 234 Ln: 17

Objectors' Designations From December 4, 2013 Deposition of Charles Moore

Designation:

233:7

Q. Now, and I take it if I asked you about each of the component parts of the Quality of Life note, reinvestment initiatives, and by that I mean public safety, information technology, and blight remediation, and asked you to identify how each subcomponent will in and of itself improve creditor recoveries, you would give me a similar answer?

A. Yes.

Q. Which is that you were not tasked with calculating that.

A. Yes.

Q. And that thus you don't know.

A. Correct.

Q. Do you know if there is another professional or person affiliated with City of Detroit that is tasked with conducting that analysis?

A. What I would want to clarify is I view two things, there is what impact does the restructuring and reinvestment have on the City and its ability to

234:1

operate and what the projections may be. There's a completely separate activity that would involve what is the proposal and what are the proposed recoveries for various creditor claims.

So as it relates to the first item, that's certainly something that we are heavily involved in,

assessing how each one of these investments will
impact and improve the City's operations, its cash
flow, et cetera.
The other part though in terms of what the
proposed treatment will be for each class of creditor
claims is not something that I'm heavily involved in,
certainly Jones Day and Miller Buckfire are both
heavily involved in those items.
Q. Isn't it fair to say that improving City services is
of paramount concern with the impact on creditor
recoveries of secondary concern?

Pg: 234 Ln: 20 - Pg: 236 Ln: 7

Designation:

234:20 Q. To you.
A. I don't think that that's a fair statement. I think
that improving services is, I hate to use the cliche,
win/win situation, but to me it is not only vitally
important for residents and businesses, but it greatly
improves the chances for recoveries for the creditors.
235: 1 Without spending any money, I'm not sure
that there would be any basis for any recoveries to
creditors.
Q. Let me direct your attention to page 90 of the
proposal to creditors if I could, Mr. Moore.
MR. HAMILTON: Exhibit 3, right?

MR. HACKNEY: Yes, sir.

BY MR. HACKNEY:

Q. Do you have that in front of you?

A. I do.

Q. Do you remember earlier we talked about that ultimately I think it was like a three-step process that you and Ernst & Young, Conway MacKenzie and Ernst & Young worked together on, which was building a 10-year forecast of the City as operated, then layering in the reinvestment initiatives?

A. Yes.

Q. And the third step that I just added that you can I think see on the subsequent pages is then backing out the unsecured legacy liabilities to make sure you weren't running a deficit.

A. Yes.

Q. Or to see if you weren't running a deficit I should say. You remember we talked about that.

A. I do.

236:

Q. Is this the first step in that, is this the first two steps in that process, which is presenting the City as it operates, plus the reinvestment initiatives?

A. Yes, I think that's fair to say. Just to clarify, what we, what we did here is we have the City as it operates, including all of the legacy liabilities and the reinvestment and what that would look like.

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Pg: 236 Ln: 10 - Pg: 238 Ln: 4

Designation:

Q. So let me make sure I understand who's doing what. You see on page 91 where it says reinvestment in the City?

A. Yes.

Q. If I put a box around that and the lines between that and total reinvestment in the City, I could fairly call this Conway MacKenzie work product.

A. Yes.

Q. Now, if I took everything above that and drew a box around it, what we're going to call the City's typical operations and expenses.

A. Yes.

Q. I could call that Ernst & Young work product.

A. That's correct.

Q. Okay. Just so we're tracking here --

A. There's just one clarification that I would make. As you established earlier, I have been heavily involved in pensions, and there is a line item on page 91 which relates to pension contributions. You can draw a box around that as well and that is a Conway MacKenzie work product.

Q. Okay. Thank you for that clarification. That's important. I see, because is that the one thing where you, instead of just looking at how the City operates now, which was, it's a forecast based on historical activity, was that one line item where you were like no, we're going to put in what we actually think to that space?

A. Yes.

Q. Okay.

A. And OPEB is essentially the same way.

Q. Okay. Okay. That's a helpful --

A. If I can clarify, OPEB really is the same way it's always been in that it's funded as expenses are incurred.

Q. That's very helpful though because I know that there's a significant disagreement between the City and the, some of the retirement funds about what the amount of the pension contributions need to be and so on and so forth, so that could have a big impact if you did business as usual or the, you know, new City's view?

238: A. Yes.

Q. And you're saying the new City's view is in that line item?

A. That's correct.

Pg: 238 Ln: 5 - Pg: 242 Ln: 12

Designation:

238: Q. So let's go back to this. When Ernst & Young is looking at revenues, it's projecting the revenues, is

it taking into account the reinvestment initiatives and their impact on revenue, or are you doing that separate from them?
A. No, they are doing that.
Q. So when they look at 2023, and they project total revenues of a billion 45, do you see that?
A. Yes.
Q. They are saying I know that this involves making a sizeable investment in the City, capital reinvestment and restructuring, and even with that this is what we project?
A. Yes.
Q. Now, I note that that number ten years from now is actually lower than the one that's projected for 2014, is that correct?
A. Yes.
Q. I am assuming, tell me if you know, do these use what I would call real-time dollars or are they present valued in the sense that in 2023 we'll, is the

239: projection that a billion 45 will show up in total revenues that year or is the person saying it will be a different number ten years from now but what it would be worth today is a billion 45?
A. My understanding is that these are nominal dollars, not real dollars, nominal meaning this is the amount of cash that will show up in that year.
Q. That's what I thought it was.

A. Yes.

Q. But you know with the notion of inflation and the time value of money that a billion 45 ten years from now is worth less than a billion 45 today.

A. Presumably, if trends continue.

Q. Yeah, we hope. The -- and this is with all of the anticipated improvements and things, for example, like income tax collections and real estate collections and so on and so forth.

A. Actually, those operating items, the revenue initiatives are down here in this, I don't know if it's just because this is a Conway MacKenzie work product, as you said, but the, on the bottom of page 91, the first line item under reinvestment in the city, the 240, approximately $245 million, these are those specific revenue initiatives of collecting past due receivables, improving how we process revenue.

240:

Q. Okay. So just as a methodological matter, you guys considered that concept separately and netted it out against the restructuring and reinvestment initiatives and presented it that way.

A. Yes, because it's not changing the size of the pie, if you will, or not getting at the size of the pie which is the revenue, but it's how efficient the City, or how effective it is in performing its duties, in terms of making sure that it's collecting X percent and going after past due receivables.

Q. So just so I can understand this, if you just look at what we'll call the Steady State City, which is not quite right but it's the cost of operating the City without considering the reinvestment initiatives in 2014 and beyond. Okay?

A. Yes.

Q. If you look at that number, what it says is that the City would run a deficit of $190.5 million this upcoming year if nothing else changed. Do you see that?

A. Yes, total surplus deficit 190.5, yeah. I think that I can't speak for Ernst & Young, but these revenue numbers do take into account this reinvestment.

Q. Yes.

A. Where a scenario if the reinvestment did not happen, 241: what would the revenue be in these years and therefore what would the surplus or deficit be? I don't think that this schedule answers that question.

Q. Understood. Okay. Thank you. That's a helpful note.

Now, when you add on the net effect of the anticipated reinvestment, the adjusted deficit increases to $379 million, is that right?

A. Yes.

Q. Now, if you flip over to page 97, now you've got the restructuring scenario, do you see that?

A. Yes.

Q. Okay. So this is the one that we talked about as being the third step so to speak?

A. Yes.

Q. This backed out the legacy liabilities, correct?

A. It treated them down below, yes.

Q. I'm sorry, in stages it backed them out. I'll get to them in a second on page 98.

A. Yes.

Q. It kept all the other numbers the same.

A. Yes.

Q. Then on page 98 it deducted out the secured claims on an annual basis, correct?

A. Yes.

Q. And what is left is funds available for unsecured

242:

claims, correct?

A. Yes.

Q. And so if I'm reading this correctly, if the reinvestment initiatives are undertaken and secured claims are paid in full as they must be, this anticipates that there would be $30 million in 2014 for unsecured claims.

A. Fiscal year 2014, yes.

Q. Fiscal year 2014. And that number then grows later, as you go over time, and if you sum all of them, it's approximately $803 million, is that right?

A. Yes.

Pg: 243 Ln: 10 - Pg: 244 Ln: 20

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Designation:

Q. This operational restructuring summary dated November 11, 2013, do you have that in front of you?
A. Yes.
Q. Just so you know, Mr. Moore, I have combined it with a document that related to the next day's presentation on November 12th.
A. I see that.
Q. Is it true that Conway MacKenzie prepared these two documents?
A. Yes.
Q. And these were provided to update the financial advisors of the various creditors on the status of matters as they stood November 11, 2013.
A. As it relates to the operational restructuring, yes.
Q. Correct. Was this also an effort to attempt to give the financial advisors more detail about the specific findings and problems, risks and opportunities associated with all of the various or many of the various departments of the City?
A. Not necessarily. We had conducted a significant number of due diligence sessions with various financial advisors back starting in June of 2013, and information on the departments was presented to the financial advisors. Unfortunately, new financial advisors became involved at various points, some as

recently as within the last month.

What this -- two of the objectives in preparing these documents was to put in one place information that some people had already heard, but to level set with all of the financial advisors on a significant amount of information related to the operational restructuring.

In addition to that, we provided visibility to what we had verbally discussed in the past in terms of what are some of the risks and opportunities that exist within the plan.

Pg: 245 Ln: 23 - Pg: 247 Ln: 23

Designation:

245:23 Q. Do you know what other written work product is out there that I could stack up next to all these things and show, you know, this is what the creditors have been given when it comes to understanding what Conway MacKenzie is seeing?

A. A document that is -- has been used in due diligence meetings going back to June is all of the supporting schedules related to the restructuring and reinvestment amounts, so all of the underlying details, this number of trucks, this truck on this year, this facility improved by this amount this year, so all of the underlying detail has been available to people in the data room going back to the end of June.

Q. In terms of how the money would be spent.

A. Yes.

Q. The reinvestment initiatives.

A. Yes.

Q. Okay. What I'm particularly interested in though are more of your analytics in terms of Conway MacKenzie people saying things like our response times are not good enough, we need more police cars, we need more fire trucks, et cetera, I'm talking about analysis of the problem.

A. Yeah, I don't know everything that's out in the data room, but as we discussed earlier, I think there are departmental documents that are in the data room.

In addition to that, in the due diligence sessions that we undertook, typically there would be conversation around those types of things as we used the schedules as our roadmap.

Q. People would ask you questions about why do you think you need this and then you would say orally here's what we're finding and here's why we think this will help?

A. Yeah, or we have notes in those schedules as well in terms of this is what this relates to.

Q. From where I sit, based on what I know, this November document from the November 11th and 12 presentation is the most detailed when it comes to revealing your analytics and findings, do you agree with that?

A. In terms of putting it all in one place, I think that's probably a fair statement.

Q. So there may be other documents that have a similar level of detail about one department or another but this has been both the most comprehensive and the most detailed of all the documents that are out there.

A. Yeah. I'm not sure that there's necessarily any new information in the documents from November 11th and 12th as compared to what was discussed in due diligence sessions from late June all the way until November.

Pg: 248 Ln: 14 - Pg: 250 Ln: 2

Designation:

248:14 Q. Maybe you can help me with this document, Mr. Moore. I'm trying to find what I understood to be the re-creation of this concept.

A. Okay.

Q. But with the deferral baked into it to take into account the intervening bankruptcy filing.

A. Okay. If you take a look at page 14.

Q. Yeah.

A. This is the 10-year forecast that we talked about before. This is going out through 2023.

Q. So is it literally that everything is just the same

249: with the exception of the lumpiness caused by the fact that the previously anticipated reinvestment initiatives that were supposed to take place in the second half of 2013 got pushed into 2014?

A. Yes. So if you take a look at now page 17.

Q. Yeah.

A. This is the post petition financing plan. So this says, okay, as a result of the bankruptcy and our desire to pursue post petition financing, here's -- here are updates for '14, '15, '16 and '17. I don't know if everything is caught up to the dollar by the end of fiscal year '17, but for the most part all of the timing comes through during this, by this time.

And then what we did, if I recall correctly, let me just turn to a particular department, if you look at, the first one I think is the Department of Transportation, page 23 has that same forecast specifically for the Department of Transportation, page 24 is the layering on of restructuring and reinvestment items, and then page 25 shows the variance in terms of when we talk about the deferred restructuring and reinvestment, we're talking about the post petition financing forecast.

Q. Yeah. And just so I can say it in words that my lizard brain can understand, that's like a department by department sub view of the reinvestment initiatives

250: in the aggregate.

A. Yes.

Pg: 250 Ln: 3 - Pg: 251 Ln: 12

Designation:

250: Q. Can you go back to page 17 of the November document that you were just showing to me.
A. This is Exhibit 7?
Q. Yes, sir. Do you see that fiscal year 2014 with two actual, and 10 forecasted, the total operating receipts there is a billion six, do you see that?
A. Yes.
Q. Can you help me understand that number compared to the total revenues forecast in the proposal to creditors on page 97, the other document?
MR. HAMILTON: Exhibit 3?
MR. HACKNEY: Yes, sir.
A. There are two elements. The first one you see the last line item in the revenue section is financing proceeds, so that's the post petition financing.
BY MR. HACKNEY:
Q. That's the Quality of Life note.
A. This is listed as 140 million. Obviously that number changes all the time. The other item is, that I believe it's under other receipts, there are some items that are pass-through type of items, and so in this regard, if we go back to the other receipts here,

the 342.9, there's amount, there's an amount in there,
251: I believe that that is the distribution to tax authorities down below of 253.

So if you net those out, then you should have the same numbers, the same to the extent that you have two months' of actual in here now.

Q. Right. Okay. So the delta was approximately 540 million and you identified 140 plus 250?

A. Yeah. And I would have to look at that variance analysis specifically, but clearly one of the items in terms of how this was approached is that certain items that are pass-through were shown both on the income and the expense line item.

Pg: 251 Ln: 24 - Pg: 252 Ln: 23

Designation:

251:24 Q. You served on the legislative commission on government efficiency, isn't that correct?

252: A. Yes.

Q. And isn't it true that the legislative commission was asked to consider almost all aspects of the State of Michigan's operations?

A. Yes.

Q. Although the operations it was considering ultimately only involved approximately 1.6 of the State's budget, 1.6 percent of the State's budget, is that correct?

A. It depends on how you define the budget. A substantial portion of the State's budget is federal funds that are essentially pass-through; so when you look at it from the standpoint of what the State's true general fund is, we looked at a pretty good portion of that.
Q. And that was also a significant undertaking, isn't that correct?
A. Depends on how you define significant.
Q. Let's define it by reference to the undertaking, the work you did for the City.
A. It pales in comparison to the work that I've done with the City.
Q. Because it was far less?
A. Yes.

Pg: 252 Ln: 24 - Pg: 254 Ln: 20

Designation:

252:24 Q. The commission ultimately generates a report, isn't that correct?
253: 1 A. Yes.
Q. And the recommendations in the report represent the unanimous opinion of the committee except where commissioners dissented, correct?
A. That's correct.
Q. And you did not dissent, isn't that right?

A. That's correct.

Q. Now, the commission received support from subject matter experts in the House and Senate fiscal agencies, isn't that correct?

A. Yes.

Q. It also had resources, resource persons from the legislative service branch, is that right?

A. Yes.

Q. Also had assistance from the executive branch, isn't that correct?

A. Yes.

Q. And it relied on outside experts in the course of performing its work, isn't that correct?

A. Yes.

Q. And ultimately the commission took approximately 18 months to complete its work and deliver a final report, is that right?

A. 18 to 20 months or thereabouts.

Q. The -- one of the things the commission noted was that

254:

the State of Michigan's problems were largely structural driven primarily by the changing nature of Michigan's population, including shrinking population, aging population and shifting population in terms of where they reside, do you remember that?

A. I do.

Q. Those problems are similar to the problems suffered by the city of Detroit, isn't that correct?

A. Certainly some of them.

Q. Shrinking population and aging population are two of the ones that are similar, correct?

A. Not sure about aging, but certainly shrinking.

Q. The legislative commission's report also went on to say that the State's problems were driven by job losses particularly in the manufacturing sector, correct?

A. Yes.

Q. Manufacturing job losses has also hit Detroit hard, correct?

A. Yes.

Pg: 254 Ln: 21 - Pg: 255 Ln: 8

Designation:

254:21 Q. We won't go through that entire document just to save the time so I can pass the baton here, but I do want to note that the commission came up with a number of different recommendations, isn't that correct?

A. Yes.

255: 1 Q. Many of those recommendations were for further studies to be undertaken, isn't that correct?

A. Yes.

Q. The commission itself was not able to conduct the further studies it recommended taking otherwise it would have revealed the reports of those studies in its report, correct?

A. Correct.

Pg: 255 Ln: 9 - 24

Designation:

255: Q. Let me go back and ask you about some of the efforts you're undertaking now. Isn't it true that the City's trying to employ strategies that may allow it to achieve additional collections of $32 million in income tax receivables?

A. Approximately $42 million actually of income tax receivables have been bid out to be collected.

Q. When is it hoped that they will be collected? Oh I see, are you selling it to people so you get the money now and they get whatever they can recover?

A. We are contracting with an outside party that will be paid on a contingent basis based on a portion of what they collect.

Q. When's it anticipated that that money might come in?

A. Well, certainly we hope to get some of that this year and I think it's into the next fiscal year as well.

Pg: 256 Ln: 15 - Pg: 258 Ln: 25

Designation:

256: Q. Don't the restructuring and reinvestment initiatives involve a number of actions that will affect the City's assets over the next year?

A. It may affect some of the assets over the next year, yes.

Q. Assets could be sold, correct?

A. I'm not sure about that.

Q. Assets could be abandoned, correct?

A. Which assets would you be referring to?

Q. IT assets of the City if it no longer decides to use the Dreams program?

257:

A. Well, abandoning an application, I'm not sure if that's necessarily what I think of when I hear the word "abandon."

Q. Isn't it possible that the City will likely close and sell fire stations?

A. The City has actually already undertaken that process. I don't know if any additional activities will occur in that regard.

Q. And it will hopefully, it will hopefully close and sell police stations?

A. I'm not sure if that will happen actually.

Q. It will sell off old fleet vehicles?

A. Possibly, if there's any value at all.

Q. The restructuring and reinvestment initiatives may also involve outsourcing functions like income tax, accounting, risk management and Workers' Comp, is that correct?

A. Those are possible activities; however, they have not been built into the restructuring and reinvestment plan.

Q. The City's considering as part of the restructuring and reinvestment initiatives outsourcing fleet maintenance, facilities maintenance, grounds maintenance, custodial and forestry, is that correct?

A. Yes, well, those are specific RFPs that have been 258: issued, and/or will be issued very shortly, and depending on what the results are of that process, we may outsource those activities.

Q. These things are presently being done by the City but by definition of the word outsourcing would instead be done by private contractors?

A. Yes.

Q. You're considering as part of the restructuring and reinvestment initiatives outsourcing data center backup, correct?

A. That's possible.

Q. As well as outsourcing various IT functions for different departments, correct?

A. Again, those are just possibilities.

Q. And those are things that may happen in the next year?

A. It's unclear if they'll happen in the next year or not. There's not a specific process in place. Those are items that have been identified that we would like to look at; however, they are not the highest

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priorities.
Q. They are all things that impact operational restructuring or could.
A. Could.
Q. And they are all being presently considered, correct?
A. Yes.

Pg: 259 Ln: 1 - 3

Designation:

Q. Isn't one of the key challenges for the City of Detroit its large geographical size?
A. It is a challenge, yes.

Pg: 259 Ln: 15 - Pg: 260 Ln: 6

Designation:

Q. Isn't part of the problem the City's out approximately 139 square miles, is that right?
A. It is.
Q. Isn't part of the current problem that Detroit faces is that it's a city that was built for 2.2 million people and now has just 684,000.
A. Well, built meaning it has the physical geographic size to accommodate 2.2 million?
Q. Yes.
A. Well, you can fit a lot more than 2.2 million people

in that size.

260: Q. Sure. I guess what I was saying is, its size makes more sense the more people that are living here.

A. It has a certain, there's a certain cost with, associated with servicing 139 square miles, and the more revenue that you can get to help accommodate that cost, the better you are.

Pg: 260 Ln: 7 - 17

Designation:

260: Q. Now, the reinvestment initiatives that we've been discussing today assume that there will be no decrease in the geographic size of the city, isn't that correct?

A. Correct.

Q. There will be no effort made to reduce the city's geographical footprint to match its population footprint, correct?

A. Correct, there's no, to be specific, there is nothing in the plan that involves changing the city's boundaries.

Pg: 260 Ln: 18 - Pg: 261 Ln: 2

Designation:

260: Q. It's fair to say that your review of the Police

Department proceeded from the understanding that it needed to be able to police a 139-square mile city, correct?

A. Or someone needed to be able to service a 139-square mile area.

Q. Whether it was the police or private contractors.

A. Or some other jurisdiction.

261: Q. Same concept for fire.

A. Yes.

Pg: 261 Ln: 3 - 15

Designation:

261: Q. Now, isn't it true that substantial work needs to be done with respect to the City plan for the future City of Detroit?

A. The Detroit Future Study is really a multi-decade study. It's a vision. That is not something that will be achieved within this 10-year horizon or even perhaps the next ten years.

Q. The Detroit Future City Plan has not yet been codified, isn't that correct?

A. I'm not sure that there is a, that it ever will be codified.

Q. It hasn't today though.

A. Not that I'm aware of.

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Pg: 262 Ln: 15 - Pg: 263 Ln: 13

Designation:

262:15 Q. So let me take a step back, I really need to hand the baton, but you agree that future city planning is an important aspect of City development, correct?
A. Absolutely.
Q. And there are problems currently with the way the City planning exists in the City of Detroit?
A. Yes.
Q. Examples of those problems are, number one, that the Detroit Future City Plan has not yet been codified?
A. Yes.
Q. And it has a lot of good ideas, so it would be a good
263: 1 idea to codify them.
A. Yes.
Q. In the process, you could align the City's master plan with that Detroit Future City Plan, correct?
A. Yes.
Q. And you would also still need to align zoning ordinances and rewrite them in a way that would then enable implementation of that new master plan, correct?
A. Yes.
Q. Aligning these plans will better allow for the future development of the City.
A. Yes.

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Pg: 264 Ln: 8 - Pg: 268 Ln: 8

Designation:

264: 8 Q. Mr. Moore, have you seen what's been marked as Moore 9 before?
A. Yes.
Q. I see on the first page that E & Y is claiming ownership of this, did Conway MacKenzie participate in its preparation?
A. We provided information to Ernst & Young that they used to compile this.
Q. Okay. Do you know, was this liquidity, well, call it cash flow forecast, was this provided to your knowledge to prospective lenders for the debt?
A. I don't know.
Q. Do you see in the top right-hand side there's a date 9-10-13?
A. Yes.
Q. Have you seen a version of this document dated later than 9-10-13?
A. The dates on documents are sometimes somewhat
265: 1 confusing. What this represents is the last version of this cash forecast that I recall.
Q. Okay. So whatever its date is, you're not aware of a more recent one.
A. That's correct.

Q. If you could turn to the second page, at the top it says cash bridge, funds available for unsecured claims per creditor proposal versus DIP financing scenario, do you see that?

A. Yes.

Q. Am I correct in understanding creditor proposal here to refer to the June 14th creditor proposal?

A. Yes.

Q. If you know, I'm looking at the top line which says funds available for unsecured claims per creditor proposal, are those numbers across the top, 30 million for 2014, 31 for 2015, et cetera, are those funds that would have been available under the original creditor proposal for distribution to creditors under the $3 billion note or bond?

A. Those are two separate items. So the, in the creditor proposal there's the 10-year projection and that shows a net amount available to, or for unsecured claims, and the total over the 10 years is $803 million.

The $2 billion note, payments of principal (266:) on that note were from the three sources that I indicated before.

Q. Right.

A. To the extent that there's interest paid on that note, that possibly could come from here.

Q. All right. So these, the top line represents general fund amounts that would have been available for

payment to creditors under the June 14th proposal?
A. Yes.
Q. Dropping down to, well, let me ask another question before we get to the bottom. One of the line items here is refunding bond proceeds drawn from escrow, do you know what that is?
A. Yes, the City refinanced, actually obtained financing I believe in August of 2012. Part of that financing, part of those proceeds were used to refinance other debt and there was a net amount that the City received.

The State of Michigan has been holding on to a portion of those proceeds. This assumes that $20 million of the amounts that are still being held by the State are received by the City.
Q. And what is the total amount being held by the State in this refunding bond proceeds escrow account?
A. I believe right now there's $80 million still being held by the State.
Q. And do you know what the conditions are to release of the funds from that escrow?
A. I don't.
Q. So you don't know what the prospects are for the City meeting those conditions to get release of $20 million in 2014?
A. I don't.
Q. The next line on here, not the next, next line I'm

going to ask you about is net cash flow for per DIP financing scenario. Is that line supposed to represent what happens to funds available for unsecured claims if the DIP financing is obtained on the terms presently contemplated?

In other words, just look at fiscal 2014, it shows $30 million available for unsecured claims under the June 14th proposal.

A. Yes.

Q. We drop down to net cash flow per DIP financing scenario and that 30 million, has that 30 million now become 87.6 million?

A. I think that's a fair statement.

Q. And then in 2015, the 31 million positive has become a deficit of 62.9 million, am I reading that correctly?

A. I think that's correct.

Q. And then it's roughly the same and then drops again in 2017 below what was there. Do you know, have you seen anything that runs this analysis out past 2017?

A. No.

Q. So you don't know at what point, if ever, the DIP financing scenario, other than the first year, shows an improvement of funds available for unsecured claims.

Pg: 268 Ln: 11 - Pg: 270 Ln: 12

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Designation:

268:11 A. There have been various scenario analyses that take into account what risks and opportunities may be present. As an example, a big risk is lower property tax collections.

Some of those scenarios that I've looked at do go out beyond 10 years. I'm not aware of a cash forecast that related to the post petition financing that goes out beyond fiscal year 2017.

BY MR. MARRIOTT:

Q. So as far as you know, a comparison of funds available for unsecured claims under the June 14th proposal to funds available for unsecured creditors under the DIP financing scenario has not been done out past 2017, or at least you haven't seen it?

A. Yeah, except for as I indicated, there are scenario

269: 1 analyses that have been undertaken that go beyond 2017 taking into account various risks and opportunities, nothing that has been completed though.

Q. Further down the same page there's a block of numbers under the heading Memo 1, reinvestment timing change, do you see that?

A. Yes.

Q. And then is that what you and Mr. Hackney have previously addressed, when we say reinvestment timing change here, are we talking about the roll forward that's been necessitated since the originally contemplated commencement of reinvestment?

A. Yes.

Q. And am I reading this correctly to say that that roll forward produces additional positive cash flow in 2014 because expenditures you had expected to make in fiscal year 2014 in fact won't be made until later?

A. Yes.

Q. Memo 2 is DIP financing related activity and it makes certain assumptions regarding interest rate on the DIP and the like. Do you know whether any sensitivity analysis was performed on this analysis for varying interest rates that might be payable under the DIP?

A. Not that I'm aware of.

Q. So you haven't seen a version of this that assumes an 270: interest rate of 6.5 percent or a version that assumes 3 percent or something else?

A. Well, in the scenario analyses that I was just referring to, I have seen something get modeled at 6 and a half percent, and even up to 8 percent, or 8 and a half percent as well, which is under a default scenario, but these are just scenario analyses.

Q. Who's prepared these scenario analyses that you've looked at?

A. Ernst & Young.

Q. And have they been placed in the data room?

A. No, these analyses have not been finalized.

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Pg: 272 Ln: 1 - Pg: 273 Ln: 11

Designation:

272: Q. All right. This is reinvestment adjustments detail, do you see that Appendix B?

A. Yes.

Q. Were these numbers that comprise this detail, were they provided by Conway MacKenzie?

A. Yes.

Q. If you would turn to the last page of that appendix, which is Bates 200067, and at the very bottom there's a net impact of reinvestment line which shows an impact on cash flow for each -- a negative impact on cash flow for each of 2014, 2015, '16 and '17, do you see that?

A. Yes.

Q. Is this negative impact based upon implementation of only the Quality of Life note proceeds or are you assuming in this net impact of reinvestment that you're also doing the other components of the 1.25 billion that you had planned for those years?

A. It's the latter; so this is incorporating all of the restructuring and reinvestment in those years, not just $120 million worth. So the forecast contemplates that we will spend $151 million net, I'll use the restructuring disbursements, that's probably an easier way, rather than netting out the restructuring receipts.

So $170 million in fiscal year '14; $232 million in fiscal year '15; 175 million in '16; and 189 million in '17.

Q. That's what I thought but I wanted to be sure.

Why don't we go to what was already put in as Moore 8, which is a document captioned City of Detroit Restructuring Priorities. Is this a document that was prepared by Conway MacKenzie?

A. In looking at this, the summary bullets that appear midway through the document, that is a Conway MacKenzie document. The first -- so Bate stamp 906.

Pg: 275 Ln: 16 - Pg: 277 Ln: 2

Designation:

Q. So let me start over. Looking at the first four pages and the priorities listed there and the associated estimated cost, do you see that each of the boxes has a list of priorities and a list of estimated costs?

A. Yes.

Q. Although some of them are TBD and some are not applicable. Do you know whether these priorities and their estimated costs were used in connection with sizing the Quality of Life note?

A. I don't know if they were used.

Q. For that purpose.

A. Correct.
Q. If you could turn to page three of the first four pages, Finance Department, one of the priorities is to select and implement an ERP system, do you see that?
A. Yes.
Q. And an estimated cost there of, if I'm reading this document correctly, 30 to $50 million.
A. Yes.
Q. If you would then turn to the fourth page, very bottom box, Department of Information Technology Services, the bottom priority there is implement a city-wide IT system.
Now, shows a target completion of April 2013. I'm assuming that's a typo and it was April 2014. Am I correct in that assumption do you know?
A. Yes, that's right, that would be a typo.
Q. And it shows an estimated cost again of 30 to $50 million, do you see that?
A. Yes.
Q. Now, is that an additional 30 to 50 million or is the 30 to 50 million estimate for an aggregate one for both ERP and city-wide IT?
A. Those are one in the same.
277:
Q. So the aggregate is 30 to 50 million.
A. Yes. IT, the ITS division is part of finance.

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Pg: 277 Ln: 12 - Pg: 278 Ln: 11

Designation:

277:12 Q. All right. Mr. Moore, do you recognize what's been marked as Moore 10?
A. Yes.
Q. Says key operational updates as of September 24th, is this a document that was prepared by Conway MacKenzie?
A. Yes.
Q. For whom is this document created?
A. This is a document that I would have prepared to review with Kevyn Orr.
Q. And is this the only one of its kind or is it one of a series?
A. There are various forms that I have used in my communications with Mr. Orr. Generally they follow these types of items, in terms of identifying
278: 1 immediate term action items, as well as upcoming, key recent and upcoming activities.
Q. Is there a version of this document more recent than September 24th, 2013?
A. I have provided updates to the EM office since this time, yes.
Q. Do you know what the date of the most recent one is?
A. I had a meeting with the EM office on Monday of this week.
Q. So that would be December 2nd?

A. Correct.

Pg: 278 Ln: 21 - Pg: 279 Ln: 22

Designation:

Q. You say here, I'm looking at the police at the top, for example, no immediate term action items required. Do you see that?

A. Yes.

Q. When you used the term, the phrase "immediate term," what is the time frame you intend to cover? In other words, when you say no immediate term action items required, what is the horizon that that covers?

A. At that meeting.

Q. In other words, what you're saying is there is nothing that Mr. Orr needs to do as a result of that meeting with respect to police?

A. Yes. There are times, I'll give you an example. Under fire, and the first item under finance, these are items that I have in my hand, Mr. Orr, I recommend these items happen now.

The second item under finance I was providing a bit of an update, which is during this current week, it doesn't exist in my hand today, but this week we will be recommending that you approve the phase two assessing project of Plante Moran.

Q. Okay.

A. So we are talking very immediate.

Q. So in other words, what you're really saying here with the police is, Mr. Orr, there's nothing I need you to do today.

A. Correct.

Pg: 279 Ln: 23 - Pg: 282 Ln: 18

Designation:

Q. Okay. If you could just flip to the bottom of 11729, carrying over to the top, vital records entry.

A. Yes.

Q. Next page says no immediate action items but October 1 transition date if jeopardy if Wayne County does not sign IGA. What's that about?

A. First of all, an IGA is an intergovernmental agreement.

Q. That's helpful.

A. One of the items that we identified as an operational improvement involved the City getting out of the vital records business. This is -- it's redundant with an activity that Wayne County already undertakes.

Wayne County does the exact same thing and they charge a lower cost. People use the Wayne County service; so getting out of this business completely save -- would save the City money.

We negotiated the intergovernmental

agreement with Wayne County and everything was all set and we were to begin a transition on October 1st; however, as of this date we still had not received the signed IGA from Wayne County, and I wanted to make him aware of that.

And as a result of that, there was follow-up by Mr. Orr's office in terms of understanding specifically where the IGA sat with the county commissioners.

Q. Have you ever met with City Council or its representatives to discuss your restructuring initiatives?

A. Yes.

Q. How many times?

A. Prior to Gary Brown being appointed chief operating officer, Gary had been on City Council previously, now I interact with Mr. Brown almost daily, but prior to him taking that role, I would say, between my team and me, maybe three times.

Q. And what was the most recent?

A. Perhaps in May.

Q. In May.

A. Yes.

Q. So you have not met with City Council, well, neither you nor your team have met with City Council or its representatives to discuss the restructuring initiatives since the bankruptcy case was filed, is that correct?

A. One of my partners has had some interaction with the president of City Council, Saunteel Jenkins, that's Van Conway, and that's been as recent as I think in October, but in terms of sitting down and reviewing restructuring initiatives, I don't think that there have been any meetings since approximately May.

Q. What was the topic of the most, the October meeting

282:

you just mentioned, do you know?

A. They were actually talking about potentially having some more communication between City Council and Conway MacKenzie.

Q. Is it your intention to seek City Council formal approval of any of the restructuring initiatives you contemplate?

A. That's not up to me, I leave that to Mr. Orr, and if Mr. Orr would like for me or anyone from my firm to present to City Council, then we certainly would do that.

Q. And then one more question and then I'll let you go, Mr. Hackney was comprehensive.

I take it since you really haven't met in any sort of formal fashion with City Council since May, that Conway MacKenzie did not participate in any presentation to City Council regarding the DIP loan?

A. Correct, that's right.

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Pg: 286 Ln: 23 - Pg: 287 Ln: 8

Designation:

286:23 Q. Well, are you saying that all of the DIP proceeds will in fact be used for the reinvestment initiative or reinvestment and restructuring initiatives?
287: 1 A. We just have not presented it that way; so again, the cash comes in and then the cash goes out. There is just not a presentation that is used specifically for that. I'm not aware of any restrictions that would necessarily be in place in that regard, but certainly there are more uses in terms of restructuring and reinvestment than there is, than there are sources of Quality of Life proceeds.

Pg: 288 Ln: 14 - Pg: 290 Ln: 6

Designation:

288:14 Q. Is it your opinion that all of the DIP proceeds are essential to maintaining City services in the next year or two years?
A. Yes.
Q. And what's the basis for that opinion?
A. The City as it's operating right now, it's incredibly difficult for the City to perform the most basic duties. The City is losing people on a daily basis; the difficulty in performing those basic duties is

getting greater every day.

I hesitate to think what it would look like if there was no restructuring and reinvestment
289:
spending for the next year, how poorly the services would become, and potentially how much more expensive it may be to fix given that additional deterioration.

Q. That addresses the issue of whether additional money is needed. I don't think it addresses the issue of where does that money come from. Why does it have -- why do you have to fund these, that you say are essential expenditures, out of a DIP loan? Why can't you fund it through sale of assets, for example?

A. My understanding, first of all, of your question was that you were asking about whether it was necessary to spend this money. I didn't take from your question that you were asking whether it was necessary to get DIP financing.

Q. Understand.

A. I am not aware of any other sources available right now to fund these items.

Q. And have you looked at other sources yourself and your company?

A. Conway MacKenzie is not involved specifically in the evaluation of potential asset sales. We have provided or performed a support role as it relates to one of the primary items that has been publicly indicated that may be considered for a transaction and that's

related to the Water and Sewer Department, but beyond that we are, we tend not to be involved in anything else in that regard.
Q. Is there anybody else working for the City who is involved in that?
A. Miller Buckfire has the primary task of evaluating the potential asset, sales of assets.

Pg: 291 Ln: 11 - Pg: 292 Ln: 15

Designation:

Q. I'm not sure, but I believe there was a discussion earlier about attrition. Do you know how many employees have -- by how much the number of employees in the City has decreased over the last year?
A. I look at those numbers all the time. Off the top of my head, I can't recall the exact number.
Q. Well, I have a number that says 902, but I can't tell you where it came from. Does that sound in the ballpark?
A. That could be right.
Q. Does that produce a cash flow of savings to the City?
A. No, not necessarily. Actually, in many instances it's a further drain on cash flow; so we have fewer heads, that drives overtime and we pay more through overtime.
Some departments where not even six months through the fiscal year and they've exhausted their

entire budget for overtime at this point; so it's actually a very inefficient use of dollars right now because of that corresponding aspect, not to mention several other inefficiencies that occur.
Q. Has there been some decrease nevertheless in the -- some savings nevertheless rather?
A. If you just measure the amount of money going out the door for labor right now, as compared to what was budgeted, yes, that amount is lower, but you have to take into account those other expenses as well and I have not done a thorough analysis on that. Certainly could actually be more expensive though.
Q. Just don't know.
A. I don't know.

Pg: 293 Ln: 10 - 13

Designation:

Q. So in reality the City is not necessarily honoring the separation of the DIP proceeds into Quality of Life on the one hand or the swap termination proceeds on the other?

Pg: 293 Ln: 15 - 18

Designation:

A. The Quality of Life loan proceeds are shown as coming in. The swap settlement proceeds don't show as coming in because those, as I understand it, will go directly towards the settlement.

Pg: 293 Ln: 20 - 23

Designation:

Q. If that settlement does not occur and those other additional funds come in in addition to the 120 for the Quality of Life note, would that additional money be dealt with in the same manner?

Pg: 294 Ln: 1

Designation:

A. I don't know.

Pg: 294 Ln: 3 - 8

Designation:

Q. Another question that was asked is have you met with City Council relating to DIP and you said no, but have you prepared any analysis on behalf of Conway MacKenzie or the City for the City Council related to the DIP?

A. No.

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Pg: 295 Ln: 4 - Pg: 298 Ln: 23

Designation:

295:
Q. Are the -- are you familiar with the document that I just handed to you that's marked as Exhibit 11?
A. I have not seen this document.
Q. Did your involvement in the operational aspect of the City's finances include delineating which reductions will take place in those first six months of fiscal year 2014?
A. Yes. The schedule that had been alluded to before, which showed the comparison between what was in the creditor proposal and what was in the post petition financing forecast, the recommendations on the timing changes were driven by Conway MacKenzie.
Q. Are any of the changes that you just talked about, any of the reductions for fiscal year 2014, embodied in an amendment to the 2014 budget that is set forth in the document that I just handed to you?
A. No.
Q. So is this document a separate set of reductions to the fiscal year 2014 budget?
A. Although I have not seen this document, based on my quick glance, I am familiar with what I believe it was intending to do, and that is, the City adopted a
296:
budget that was inconsistent with the creditor proposal; so the budgeting department of the City

begins its activities six months or more in advance of when a fiscal year begins.

So the budget for fiscal year '14, which is the one that we're in right now, that budget did not match up with the creditor proposal. The intention of this, as I understand it, is to bridge closer to the creditor proposal.

So items were moved out of certain budgetary accounts into a bucket, and then as initiatives are undertaken, it will come from this budget, or this bucket I should say, and moved into the respective departments.

Q. If we look at the first page of the document, it states that 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.

And then the next paragraph it talks about the Budget Department requests that you amend the City's fiscal year 2014 budget to shift $95 million from various appropriations in the general fund to the

297: general restructuring account.

Do you see that portion?

A. Yes.

Q. Is that consistent with the explanation that you just

gave me or did I misunderstand your explanation? Because they sound different to me.
A. It is consistent with my explanation or the answer that I've previously given.
Q. At the bottom where it states reallocation amendments from the restructuring account will also be required, is that what you meant when you said they were going to be moved to one bucket and then moved back later?
A. Yes.
Q. So on the second page, there's a long list of funds that, as I understand this document, had appropriations as part of the budget, and these particular appropriations are actually being decreased, so the money's being taken away, right?
A. Yes.
Q. And this includes appropriations for finance, the IT Department, the fire department, the police department, the Public Lighting Department, et cetera.
A. Specifically related to LTGO indebtedness and the pension obligation certificates, so it's taking the amounts that were appropriated for those two items
298:
from these various departments and moving it into a restructuring bucket.
Q. So let me see if I understand your, how this relates to the Quality of Life note.
Are any of the Quality of Life note proceeds being used to basically fill the gap where

this $95 million budget reduction was created for any of these departments?

A. No. Just to be clear, when the appropriations have been decreased, they have been decreased because the payments originally appropriated for the LTGO obligations and the pension obligation certificates are not being made as a result of being in Chapter 9, and so those appropriations are being moved over and these items, in addition to the Quality of Life loan proceeds, and any other cash that the City may have, will then be used for the restructuring and reinvestment initiatives.

Q. So is this $95 million in addition to the money that we've discussed today, the $120 million Quality of Life note, are you saying this money would be in addition to that?

A. Yes, ma'am.

Exhibit 6B

Objectors' Designations From December 5, 2013 Deposition of James Doak

Objectors' Designations From
December 5, 2013 Deposition of James Doak

Pg: 12 Ln: 15 - 17

Designation:

Q. Mr. Doak, would you please state your name for the record?

A. Sure. James Leland Doak, D-o-a-k.

Pg: 13 Ln: 3 - 10

Designation:

I want to start with your declaration that was filed in support of the proposed debtor-in-possession financing. I'd like to, as the deposition goes on, just refer to it as the proposed DIP with the understanding that I'm referring to the financing requested by motion filed on November 5th of 2013 by the City. Can we agree that that -- for that shorthand?

Pg: 13 Ln: 18 - 21

Designation:

Q. Mr. Doak, am I correct that this is your declaration filed in connection with and as an exhibit to the DIP motion filed by the City?

A. It appears that it is, yes.

Objectors' Designations From
December 5, 2013 Deposition of James Doak

Pg: 14 Ln: 2 - Pg: 18 Ln: 15

Designation:

14: Q. Can you help me out with the title structure at Miller Buckfire, what the various titles are and how they rank in the hierarchy?
A. Yes. We have a -- we have copresidents at Miller Buckfire. There are two of them right now, Mr. Ken Buckfire and Mrs. Norma Corio. They are both managing directors and copresidents. We then have a managing director title. Below that level, we have a director title. Below that level, we have a vice president title. Below that level, we have an associate title, and below that level, we have an analyst title.
Q. Okay. And is the organizational chart such that reporting is a straight line up and down through these titles or is it some other reporting scheme?
A. Well, just going generally off what you may mean by reporting, the hierarchy generally moves from the lowest level of analyst up through the managing director level. Individual assignments or tasks may be led by a lower-level individual occasionally and sometimes a project does not have an individual at each level.
Q. Okay. That makes sense.
In terms of the Detroit engagement

specifically, are each of the copresidents involved in the Detroit engagement?

A. Yes.

Q. To the same degree?

A. No.

Q. Which has greater involvement?

A. Mr. Ken Buckfire has greater involvement.

Q. And, I'm sorry. How do you spell Ms. Corio? Is it C-a-r-i-o?

A. C-o-r-i-o.

Q. Pronounced Corio?

A. Yes.

Q. What is the degree of her involvement in that Detroit proceeding?

A. Mrs. Corio is involved in several specific tasks and work streams that favor or cater to her long-standing experience in restructuring and restructuring finance related matters. Those matters are the -- providing advice to the team on the post-petition financing and also assisting in portions of the negotiations with funded creditors of the City of Detroit, including proposals surrounding commutation of monoline insurance policies.

Q. Okay. And I gather that Mr. Buckfire's role is broader than that?

A. Yes.

Q. Is it fair to say that he leads the Detroit engagement

for the Miller Buckfire team?
A. Yes.
Q. Now, you mentioned that Mrs. Corio was involved to some extent -- and we can get to what extent later -- in the DIP financing. Was Mr. Buckfire also involved in the DIP financing?
A. Yes.
Q. All right. You're a managing director, correct?
A. That's correct.
Q. Are there other managing directors at Miller Buckfire involved with the Detroit engagement?
A. Yes.
Q. Okay. And who were they?
A. The other managing directors at Miller Buckfire involved in the Detroit engagement include Mr. Buckfire, Mrs. Corio, Mr. John McKenna, M-c, capital K-e-n-n-a, and at this time, that's the extent of our upper managing director involvement.
Q. What is John McKenna's role?
A. He's a managing director at Miller Buckfire.
Q. No, I know what his position is. I'm sorry. Let me be more clear. What is his role in the Detroit engagement?
A. Mr. McKenna's role involves assisting the team, primarily me, in exploring the financial situation and strategic alternatives surrounding the Coleman A. Young Municipal Airport.

Q. So to make sure I understood your answer, is it fair to say that his, Mr. McKenna's, involvement with the Detroit engagement is focused on the Coleman A. Young Airport?
A. Yes.
Q. Is there a reason that his involvement has that focus?
A. Yes.
Q. What is the reason?
A. Mr. McKenna's involvement on that particular portion of the assignment relates to his significant experience in aviation, commercial aviation, and airline matters, including participation in the restructuring of US Air and subsequent positions on -- a subsequent position on the board of directors of US Air post restructuring.
He was also involved in the Gate Gourmet restructuring and his general understanding of aviation economics and the related sectors around that industry are helpful background when thinking through, you know, the -- the economics and current situation at the airport.
Q. Was he involved at all in the DIP financing?
18: A. No.
Q. Which, if any, directors of Miller Buckfire are involved in the Detroit engagement?
A. The directors involved in the Detroit engagement include Mr. Kevin Haggard, H-a-g-g-a-r-d, and Mr. B.

Kyle Herman, H-e-r-m-a-n.

Q. And what's Mr. Haggard's role?

A. Mr. Haggard's role extends to two primary areas, one which take -- which has taken up the majority of his time associated with this assignment, is exploring financial and strategic alternatives with regards to the Detroit Water and Sewage Department. His second responsibility has been assisting on aspects of the post-petition financing. Was I supposed to tell you what Kyle was doing, too?

Pg: 19 Ln: 1 - Pg: 21 Ln: 14

Designation:

19: 1 Before we go to Mr. Herman, let me ask another question about Mr. Haggard. You said that he had some responsibilities with respect to the DIP financing. What were those responsibilities?

A. He assisted my efforts and the team's efforts in regards to creating some of the presentation materials that we presented to key decision makers as the process unveiled and, also, he assisted in getting documents out to parties that were involved in the -- that we were soliciting proposals from, as well as other, you know, general -- general matters.

Q. I mean, would you describe his role as sort of facilitative rather than substantive?

A. I would describe his role as supportive to our efforts and supportive to my efforts. I would not describe them as nonsubstantive because he was providing key documents to parties we listed for proposals and I believe he participated in several, but not many, due diligence -- small due diligence calls that I may not have been able to participate in, and in such a function, you know, was providing substantive guidance to potential parties.

Q. Did he have anything to do with structuring or negotiating the principle terms of the DIP financing?

A. He was a -- Mr. Haggard was a participant in those

20:

discussions.

Q. Did he lead any of them?

A. No.

Q. Okay. Mr. Herman, what's his role in the Detroit engagement?

A. Mr. Herman's role in the Detroit engagement is wide ranging. It includes responsibility for creditor due diligence as well as exploring strategic alternatives for the City's noncore assets beyond the Detroit Water and Sewage Department and includes the work stream associated with the -- with the general restructuring process.

Q. Did he have any involvement in the DIP financing?

A. Yes.

Q. And what was the nature of his involvement?

A. Kyle's involvement, Mr. Herman's involvement in the financing process was primarily related to facilitating due diligence for some of the potential financing parties. Because of his familiarity with the wealth of materials we had created and collected in the creditor due diligence process, it was a natural decision when we were experiencing crunches to focus on him coordinating delivery of some of that information.

Q. Okay. Did he do anything other than facilitate due diligence by prospective lenders?

A. Not that I can recall in a material manner.

Q. Okay. Okay. Any vice presidents with Miller Buckfire involved in the Detroit engagement?

A. No, I don't believe there are any vice presidents involved at this time.

Q. Okay. Any associates involved from Miller Buckfire in the Detroit engagement?

A. Yes.

Q. And who were they?

A. The associates involved in the engagement are Mr. Sanjay Marken, M-a-r-k-e-n; Mr. Vladimir Moshinsky -- sorry. I'm not going to spell it -- and Mr. Vincent Fea, F-e-a.

Pg: 21 Ln: 20 - Pg: 23 Ln: 8

Objectors' Designations From December 5, 2013 Deposition of James Doak

Designation:

Q. All right. We have Sanjay Vladimir and Vincent. Any other associates?
A. No.
Q. Okay. What is Sanjay's role?
A. Sanjay's role is very wide ranging. He assists the team on the DWSD work stream as well as the creditor and restructuring work stream and he has also been responsible for a portion of our -- creating some of our modeling analytics and our analytics related to the swaps and the Forbearance and Optional Termination Agreement.
Q. Did he have any involvement in the DIP financing?
A. Yes.
Q. What is the nature of his involvement in the DIP?
A. Sanjay assisted in producing financial analyses that calculated the expected required sizing of the payment that would be required for the Forbearance and Optional Termination Agreement and also ran some scenarios for us on what the -- what the financing context would be for that on a go-forward basis.
Q. Not sure I understand what you just said. Scenarios on what the financing context would be on a go-forward basis, can you maybe say that a different way?
A. Sure. He -- taking a look at what estimated financing -- post-petition financing sizes would be. He took a look at interest rate and amortization

assumptions and produced pro forma cash flows. So he did the -- he did the modeling analytics associated with some of our early thinking on the post-petition financing, modeling analytics outside of the City of Detroit's financing and modeling, just on a standalone basis, what would the post-petition financing look like as far as cash demands.

Q. Okay. Now I'm right that Ernst & Young was doing some of that, as well, weren't they?

A. Eventually as the financing took greater form, Ernst & Young started to do those analytics and incorporated those analytics into their larger models of the City's financials.

Pg: 23 Ln: 25 - Pg: 28 Ln: 15

Designation:

Q. So if I were to see a piece of his work product from one of these scenarios, I mean, what would I be looking at?

A. You would be looking at a first page that provided some assumptions over what the swap termination payment looked like, what a potential interest rate for any loan taken out to make that payment would look like, and what the amortization would look like for that -- for that financing, and then you would see a series of columns across the bottom that charted out over a series of months and years what the interest would be in each given month, what the amortization would look like throughout the period, and what the remaining balance would be across the period.

Q. So he was basically doing amortization schedules? I mean, that would show -- he wasn't doing a full-blown cash flow that would show the impact on the City, you know, cash beginning period, cash end of period? He was simply doing on a month-to-month basis based upon various loan amounts and interest rates what the financing cost to the City would be in terms of amortization of principal and interest?

A. That's correct. Occasionally -- well, those analyses in some versions compared the cash flows -- those amortization schedules, to the status quo case of how much the City was paying annually, so the 50 million per year as a reference point, right.

So, for instance, we looked at assumption saying, okay, we have 50 -- let's say we still have 50 million. Let's take a look at interest rates. Let's say everything that doesn't go to interest pays amortization. What would that payoff look like. What would that amortization schedule look like if we were applying the same resources towards paying off a post-petition financing.

Q. So some of what he did was not just running scenarios in a vacuum. Some of what he did was running scenarios in what the various deltas of cash usage would be, various loan scenarios versus the status quo?

A. You know what, I would say it's probably running scenarios in a vacuum. However, I only wanted to point out, to provide a complete answer, that some of the inputs were based not just on, you know, raw numbers made up in a table, but some of the contextual factors associated with the City's financing right now such as what the swap was costing us on an ongoing basis.

Q. And when he included the swap cost on an ongoing basis in these scenarios, did he keep it level based on current interest rates or did he model changes in

26:

interest rates versus the -- and the affect that might have on the swap payment?

A. With regards to this exercise, I do not recall whether he adopted a flat assumption on what the swap payments would be. In other analyses, we have utilized the forward LIBOR curve, which, in effect, does what you're suggesting.

Q. And in terms of the forward LIBOR curve, who created the curve?

A. You'll have to be more specific.

Q. Who did the analysis that went into the forward LIBOR curve? Was that something publicly available or was that something generated by Mr. Marken or someone else?

A. The data underlying the forward LIBOR curve is information that we access through our Bloomberg -- Terminal and Bloomberg subscription. So the forward LIBOR curve is created by the market makers, in effect, right, as far as gathering that -- those numbers which are in the Bloomberg information system and placing them into an Excel file which generates outputs. That is a process that Mr. Marken would do.

Q. Okay. And do you know when most recently he's -- he's done that to have an updated forward LIBOR curve?

A. Yes.

Q. And how recently has he done that?

A. Yesterday.

Q. Has he done an analysis on what prospective payments under the swaps would be based upon his most recent forward LIBOR curve?

A. Yes, he has.

Q. Do you know what that analysis reflects in terms of prospective swap payments?

A. No, I don't.

Q. Okay. Prior to his most recent analysis, when was the last time he did a calculation of the forward LIBOR curve?

A. The best of my recollection, in -- he performed the analysis in September.

Q. And did he do an analysis based upon that curve of what prospective swap payments would be?

A. Yes. However, I don't know whether you're referring to a -- you know, particular -- what particular scenario you're referring to. He's produced a -- a piece of analysis that I believe has been discussed in prior depositions of Mr. Buckfire, which is a multipage set of financial analytics associated with the negotiations of the Forbearance and Optional Termination Agreement and some of the calculations that aid the -- the City in assessing its decisions in

28: negotiating that agreement.

Q. Okay. And I understand that there are two different things you can use this forward curve for with respect to the swaps. One is to calculate or recalculate a termination payment, but you can also use it to project what the net amount due under the swaps would be from the City, correct?

A. Yes.

Q. Okay. And my understanding is that the working assumption for purposes of comparing the relative obligations of the City as between the DIP and the swap has assumed that the swap payment on an annualized basis is $50 million, correct?

A. That is the assumption that's in the City's model, and I need to go off record for one second.

Pg: 28 Ln: 19 - Pg: 29 Ln: 11

Objectors' Designations From December 5, 2013 Deposition of James Doak

Designation:

THE WITNESS: So, I -- just to correct something I said earlier --

BY MR. MARRIOTT:

Q. Yes?

A. -- it -- in addition to looking at the forward LIBOR curve yesterday to produce an update of some analytical that also factored into our -- some September materials, Mr. Marken has been looking at a forward LIBOR curve in regards to estimated future payments by the City and potentially by the monoline insurers for various discussions with parties and that has occurred in the in-between period.

Q. Okay. Based upon the most recent forward LIBOR curve information that you're aware of, does $50 million remain the -- a reasonable estimate of what would be payable on a go-forward basis under the swaps on an annualized basis or should the number be different than that?

Pg: 29 Ln: 17 - Pg: 32 Ln: 15

Designation:

Q. Okay. Based upon the most recent forward LIBOR curve information, does $50 million remain the -- a reasonable estimate of what would be payable on a go-forward basis under the swaps on an annualized basis or should the number be different than that?)

THE WITNESS: We need to discuss what the underlying assumptions are that you want me to use to

30:

answer that question because we -- the swaps are currently in default and if we move forward with the assumption agreement, it's only a one-year agreement. So if -- so if one was to make an assumption that the City was in compliance, which it's not --

BY MR. MARRIOTT:

Q. Maybe I can --

A. -- for the long term, than the 50 million per annum payment is based on an assumption that LIBOR remains at the relatively historical low levels that it has been for the recent -- for recent history.

Q. Okay. Let me ask it -- maybe try the question a different way. When the $50 million number was arrived at for purposes of comparing the costs to the City of continuing with the swap versus borrowing under the DIP and terminating the swap, am I correct that there was a LIBOR rate assumption built into the calculation of that 50 million?

A. Yes.

Q. Okay. If that number were to be calculated, the same 50 million, keeping all of the assumptions the same

except LIBOR, if that number were to be recalculated
today using the most recent LIBOR forward curve, what
would it be?
A. The current annualized payment amount remains -- in
the near term, remains 50 per annum.
Q. Regardless of what LIBOR is?
A. No. If LIBOR changes, if we all woke up tomorrow and
LIBOR was at the level that it was in 2006, the
payment would be significantly less than 50 million.
Q. Okay. And --
A. The curve does not suggest that will happen.
Q. Okay. Does the curve suggest that number will come
down some?
A. The curve suggests that sometime in the future LIBOR
will return to levels above its historic lows.
Q. Okay. Has any calculation been done of -- on a
look-forward basis of what the swap payment will be if
LIBOR rates, in fact, follow the current forward
curve?
A. Yes.
Q. Okay. And what does that calculation reflect happens
to the $50 million?
A. I don't recall.
Q. Okay. Who generated that -- the analysis we've just
described?
A. Sanjay Marken generated that analysis.
Q. And you've seen it but you don't recall what it

reflects; is that a fair statement?
A. I've seen the analysis that involves the calculation
32: you are discussing and the analysis is associated with the other dialogue associated with the City's monolines. It is not associated with this particular post-petition inquiry because we are primarily focused on the fact that we are currently in default under the swaps and they could be terminated at any point.
Q. But --
A. And --
Q. I'm sorry. Go ahead. I don't want to cut you off.
A. And, alternatively, if we enter into the Forbearance and Optional Termination Agreement, then we have a one-year period of status quo, and through that period, market data suggests the payments will be approximately 50 million, and at the end of that, we would have to renegotiate whatever comes next.

Pg: 33 Ln: 6 - 20

Designation:

33: Mr. Fea, what's his role in the Detroit engagement?
A. Mr. Fea has assisted the team on aspects of the DWSD transaction and on aspects of the post-petition financing.
Q. Okay. And what has been his involvement with the DIP

financing?

A. His involvement has largely been a facilitating role and he has assisted in creating presentations and communicating with potential financing parties.

Q. Okay. When you say facilitating role, are you using it in the sense that I used earlier; in other words, he hasn't had a substantive role in the DIP financing process?

A. Yes.

Pg: 33 Ln: 21 - Pg: 36 Ln: 24

Designation:

Q. Okay. Before we go on, you referenced the DWSD work stream, the creditor restructuring work stream. Is that how Miller Buckfire organizes projects around work streams?

A. It's one of the ways we do it, yes. Because of the amount work and efforts across a broad range of issues associated with the Detroit restructuring, at some point we have asked our junior bankers to focus on some projects more so than others. Several of us are -- you know, have more broad focus -- more -- a broader focus across all or substantially all the issues.

Q. Do you have identified work streams other than DWSD and creditor restructuring?

A. Yes.
Q. What are the other work streams associated with the Detroit engagement?
A. In addition to DWSD and creditor restructuring, there are work streams associated with just creditor due diligence, swaps, noncore assets. Separate from that, airport, and those are all the work streams I can recall at this particular point.
Q. All right. The creditor restructuring work stream, does that work stream include formulation of a plan of adjustment?
A. Yes.
Q. Okay. And which of these --
A. Well, it would include a formulation of a plan of adjustment.
Q. Okay.
35:
A. Yes.
Q. And which of these work streams -- under which of these work streams did the DIP financing process fall?
A. The DIP financing is its own work stream.
Q. So I've got a DWSD work stream, a creditor restructuring work stream, creditor due diligence work stream, swaps work stream, noncore assets work stream, airport work stream, and a DIP financing work stream. Are there any others?
A. Not to my recollection. Those are -- those are the work -- those are the identified work streams that I

recall that we've used to organize our efforts.

Q. Okay.

A. There are other points of work that are going on, but they may not be ones where we have taken the time to write out on a piece of paper who exactly is responsible for the given effort at the given level in our hierarchy.

Q. Okay. Do the work streams have identified -- within Miller Buckfire, do they have identified individuals who bear principle responsibility for managing that work stream?

A. Yes.

Q. Okay. Who bears principle responsibility for managing the DWSD work stream?

36:

A. Ken Buckfire.

Q. Who has principle responsibility for managing the creditor restructuring work stream?

A. That's Ken Buckfire and myself.

Q. Who has principle responsibility for managing the DIP financing work stream?

A. I do. I mean, more particularly, the piece of paper that I'm thinking of has, you know, who are the -- who are the managing directors working on each one of these particular items. We don't necessarily get into who is the single individual lead on something in particular. So -- but on financing, it would be myself.

Q. What about swaps?

A. Mr. Buckfire, and he's there; I'm there.

Q. What about noncore assets?

A. I'm there.

Q. All right. And I guess just to be complete, creditor due diligence?

A. I'm there.

Q. Okay. And airport?

A. Well, I'm there and McKenna's there.

Q. He's the airport guy basically?

A. Yeah.

Pg: 36 Ln: 25 - Pg: 38 Ln: 19

Designation:

36:25 Q. Okay. All right. So you lead the DIP financing work stream. What was the role of Ken Buckfire in connection with the DIP financing process?

A. Ken has participated in many discussions associated with the, you know, overall strategy and restructuring behind the post-petition financing and presented with me results of the process at various stages to decision makers and others involved in the process and has acted as a resource and sounding board for me and other members of the team in regards to strategy and communications.

Q. What about Mrs. Corio?

A. Mrs. Corio has also participated in strategy and structuring discussions through the design and solicitation process and has acted as a sounding board for -- for me and others on the team in regards to strategy and messaging.

She was also the formal addressee of the solicitation process, probably the formal invitor as well, too, when it comes to the correspondence.

Q. All right. So she was the name on the solicitation of proposals and the recipient of those proposals?

A. Amongst other points of participation, yes.

Q. Okay. But that's what you meant by addressee of --

A. Yeah.

Q. Okay. That's what I was asking. How would you describe your role in connection with the DIP financing?

A. My role has been a multifaceted one, taking a lead and coordinating position from some of our initial dialogue about the post-petition financing through the original restructuring processes -- sorry -- original design processes, producing presentations for key decision makers about the potential process. I've also, then, led the efforts at Miller Buckfire to structure the proposed financing, create the list of potential contact parties, originate contacts with many of those parties, coordinate our communications, the majority of our communications with Jones Day and the City, coordinate and lead dialogue and due diligence efforts with potential parties, select parties to continue in the process and participate in negotiations as required to get to the commitment. It's a very large, comprehensive, you know, leadership role insomuch as the banker's to have one.

Pg: 38 Ln: 23 - Pg: 42 Ln: 4

Designation:

BY MR. MARRIOTT:

Q. Mr. Doak, let me know when you've had a chance to flip through what's been marked as Exhibit 2. Do you recognize this document?

A. Yes.

Q. Am I correct that this letter, together with the attached term sheet, was the material used to solicit DIP proposals from prospective lenders?

A. This is a portion of the initial materials.

Q. But it also included a liquidity analysis. Was that the other piece?

A. It also included a copy of the Forbearance and Optional Termination Agreement --

Q. Okay.

A. -- and it included the liquidity forecast.

Q. Now, the liquidity forecast -- and I was a little confused by some of the production on this point. Was

the liquidity forecast ready to go when the term sheet, the forbearance agreement, and this letter first went to prospective lenders or was that a follow-up item?
A. It was not ready to go. So for parties that received the materials when they first went out, the cash flow forecast was a follow-up item.
Q. Okay. If you would turn to the third page of the exhibit, which is the first page of a -- what I think has been referred to as an indicative term sheet. Do you see that?
40: A. Yes.
Q. Now, my understanding is this was prepared by the City as a proposed structure for the DIP financing, correct?
A. That's accurate.
Q. Okay.
A. The City and it's advisors.
Q. Okay.
A. I don't think there's anyone in the City that would draft this.
Q. Fair point. Let me ask this question: Did you draft this term sheet?
A. I participated in its creation, but it was not drafted on Miller Buckfire's system.
Q. By that, I assume you mean it was on Jones Day's system?

A. Yes.

Q. Okay. Let me ask the question differently because I did create an ambiguity there. The business terms that are set forth in the term sheet circulated to prospective lenders by the City, did you structure those business terms?

A. Yes, I was a participant in the structuring of those business terms.

Q. Okay. Who else participated in the structuring of

41: those business terms?

A. I'm going to need more clarity on how you want me to think about participation.

Q. All right. Well, let's try this. I'm assuming -- and if I'm wrong, tell me -- that there is a person who initially sat down and crafted a proposed structure for the DIP loan; is that correct?

A. I would suppose by definition there would have to be, right. There has to be an inception date.

Q. And was that person you?

A. Most likely, it was.

Q. Okay. And then having come up with a possible structure for DIP financing, who would you have -- or let me rephrase it. Who did you then discuss the proposed economic terms with at Miller Buckfire?

A. The terms then at Miller Buckfire would have been discussed with Mr. Ken Buckfire, Mrs. Corio, Mr. Haggard, Mr. Fea, Mr. Marken, as well as potentially other team members.

Q. Were there earlier iterations of proposed business terms for the DIP prior to those business terms memorialized in the term sheet that were sent to prospective lenders?

A. Yes.

Q. Do -- were any of those earlier iterations committed to paper?

A. I -- to the best of my recollection, yes.

Q. Do those earlier iterations still exist?

A. I would presume they're somewhere in people's systems.

Pg: 42 Ln: 5 - 9

Designation:

Q. How many Chapter 9 proceedings at any point in your career have you been involved with?

A. One.

Q. Is that one the City of Detroit?

A. Yes.

Pg: 42 Ln: 17 - Pg: 44 Ln: 7

Designation:

How many distressed municipal situations at any point in your career have you been involved in outside of Chapter 9?

Objectors' Designations From December 5, 2013 Deposition of James Doak

A. Two.

Q. And what are those two?

A. City of Detroit before it filed for Chapter 9.

Q. Fair.

A. And the Mashantucket (Western) Pequot Tribal Nation. Tell you what, why don't we -- Foxwoods.

43: Q. Okay. Foxwoods. And who were you employed by at the time when you worked on Foxwoods?

A. Foxwoods.

Q. You were engaged by Foxwoods?

A. Yes.

Q. And you personally or were you with a firm?

A. Miller Buckfire was.

Q. Oh, it was Miller Buckfire. Okay. And what was the nature of Miller Buckfire's engagement for Foxwoods?

A. Restructuring services and advisory.

Q. Now, I understand Foxwoods or a tribe is not a private entity. Did you interpret my question about municipal restructurings to include what I'll call governmental restructurings generally or is Foxwoods a municipality?

A. I interpreted your question to refer to the restructuring of municipal finance market obligations, so tax free obligations that have monoline insurers and others associated with them, and that was a significant and material portion of the Foxwoods capital structure, and as a result, I spent a considerable amount of time engaged in restructuring negotiations with municipal bondholders and to monoline insurers.

Q. Okay. So Foxwoods had tax exempt debt?

44: 1 A. That's correct.

Q. Okay. But it's fair to say that the DIP loan here is your first attempt at structuring municipal debt in the context of a Chapter 9; is that correct?

A. I think it's anyone's first attempt, honestly, but, yes. This is my first post-petition finance facility under Chapter 9.

Pg: 44 Ln: 8 - Pg: 45 Ln: 2

Designation:

44: 8 Q. And tell me what you did with Foxwoods. Did you -- did you advise and assist Foxwoods in going into the municipal markets for placement of tax exempt debt?

A. No.

Q. Did you assist Foxwoods into going into the municipal markets to obtain taxable debt?

A. No.

Q. Does -- well, let me ask the question differently.

What is Miller Buckfire's experience in whoever -- we can find out who it is later. What is Miller Buckfire's, as a firm, experience in the municipal debt markets?

A. I need assistance in understanding what you mean by municipal debt markets.

Q. Well, I mean, how many engagements has Miller Buckfire had by an issuer of municipal debt seeking their services as a banker to structure and solicit debt in the municipal markets?

A. This -- the answer to that question would be one, would just be working with the City of Detroit --

Pg: 46 Ln: 18 - 22

Designation:

Q. What documents did you review to prepare your declaration?

A. I don't know how to answer that question.

Q. Okay. Do you remember any documents you looked at in connection with preparing your declaration?

Pg: 46 Ln: 25 - Pg: 47 Ln: 4

Designation:

THE WITNESS: Well, I read the declaration and it appropriately reflected my professional background, the process that we -- that was run, and the conclusions and recommendations that Miller Buckfire had been prepared to make at various points.

Objectors' Designations From December 5, 2013 Deposition of James Doak

Pg: 47 Ln: 5 - 18

Designation:

47:
BY MR. MARRIOTT:
Q. Okay.
A. And --
Q. Did you review the Barclays' term sheets?
A. Yes.
Q. Did you review the Barclays' fee letter?
A. Yes.
Q. Did you review the -- what I gather to be the definitive bond purchase agreement and indenture that were attached to the motion?
A. Yes.
Q. Did you review any documentation prepared by Conway McKenzie?
A. I reviewed materials prepared by Conway McKenzie.

Pg: 48 Ln: 3 - 11

Designation:

48:
Have you ever been qualified as an expert to give testimony in a court proceeding?
A. Yes.
Q. How many times?
A. Twice to my recollection.
Q. Okay.

A. Well, three times in two situations --
Q. Okay.
A. -- to the best of my recollection.

Pg: 50 Ln: 18 - Pg: 51 Ln: 6

Designation:

Q. Okay. Let's go back to Doak 2. And, again, let's just flip to the term sheet. Now the term sheet contemplates two loans, a swap termination loan and what's called a quality of life loan, right?
A. Yes.
Q. Aggregating $350,000, right?
A. $350 million.
Q. I'm sorry. 350 -- if only it was 350,000.
A. Well, it wouldn't do us much good, right, if it was only 350 --
Q. It would be gone. Now, notwithstanding the two pieces of this, I'm correct, am I not, that the principle purpose of the DIP financing is the swap termination loan?

Pg: 51 Ln: 9 - 11

Designation:

THE WITNESS: The largest use of proceeds is to finance the terms under the Forbearance and

Optional Termination Agreement.

Pg: 52 Ln: 3 - 24

Designation:

52: Q. Do you recognize what's been marked as Doak 3?
A. Yes.
Q. Am I correct that this was a package that was given to City Council for purposes of its deliberation on whether to approve the DIP financing?
A. Yes. That's -- that's accurate.
Q. If you would look at the page that's Bates stamped 12998, background of the transaction. You see where I am?
A. Yes.
Q. There's a bullet point after extensive negotiation and then there are a series of points beneath that. The third one, the City can elect to terminate the swaps at a discount to the Mark-to-Market value if it can raise the required cash to fund the payment. Do you see where I am?
A. Yes.
Q. This is the primary reason the City began the process of soliciting finance and the largest single use of financing proceeds. So do you agree with this statement made to the City Council that the primary reason for the DIP financing was the swap termination?

Objectors' Designations From
December 5, 2013 Deposition of James Doak

Pg: 53 Ln: 6 - 9

Designation:

53: 6 BY MR. MARRIOTT:
Q. Well, let's start with do you agree with this sentence?
A. Yes.

Pg: 53 Ln: 18 - Pg: 54 Ln: 2

Designation:

53:18 This sentence says the primary reason the City began the process of soliciting financing was to terminate the swaps, correct?
A. The primary reason the City began the process of soliciting the financing was to raise the necessary proceeds to make the payment required under the Forbearance and Optional Termination Agreement.
Q. Okay. Who -- who suggested that the City seek an
54: 1 amount in excess of what it would take to terminate the swaps?

Pg: 54 Ln: 13 - 25

Designation:

54:13 THE WITNESS: The thought process

surrounding what a post-petition financing could be utilized for for the benefit of the City and its stakeholders has included reasons or motivations or ideas beyond the termination of the swaps for quite some time. The initial reference that I can recall to using a post-petition financing for a purpose other than the Forbearance and Optional Termination Agreement would most likely be a moment where Ken Buckfire and I were dialoguing with members of the root cause committee associated with the department water and sewage long-standing litigation about their refinancing needs and cost of capital.

Pg: 55 Ln: 1 - Pg: 56 Ln: 5

Designation:

55: BY MR. MARRIOTT:
Q. Okay. I'm not sure I understand that answer. Let's start with who is the root -- what is the root cause committee?
A. The root cause committee was a committee created by Judge Cox to bring about the conclusion of the long-standing litigation amongst and between the City, the State, the Environmental Protection Agency, and the surrounding counties to the City of Detroit in regards to the inability of the City to operate the water and sewage functions within environmental

guidelines.

Q. And when did this meeting with the root cause committee that you've just referenced happen?

A. To the best of my recollection, that was in February.

Q. Pre-petition?

A. Yes.

Q. And how does what happened at that meeting pre-petition with the root cause committee relate to seeking DIP financing in excess of what would be required to terminate the swaps?

A. At the time, Mr. Buckfire and I thought that a post-petition financing could be a way to refinance some of the department -- the department's water fund and sewer fund debt with substantial interest rate

56: savings to the department and the City.

Q. Well, but correct me if I'm wrong. There's no intention of using the -- what's called the quality of life loan to refinance DWSD debt, is there?

A. No, there's not.

Pg: 56 Ln: 6 - 12

Designation:

56: Q. Okay. So I understand that in February there may have been discussions about the benefits of refinancing certain of the City's debt, but what I'm trying to understand is the genesis of borrowing money in the proceeding under the DIP in excess of the amount needed to terminate the swap. Where did that idea originate?

Pg: 57 Ln: 3 - 10

Designation:

THE WITNESS: That idea would have originated in the late spring/early summer time frame where we were focused on post-petition financing as being a potential opportunity for the City in several avenues, including financing to the general fund, which would include payment of the -- payment required under the Forbearance and Optional Termination Agreement.

Pg: 57 Ln: 19 - 21

Designation:

Q. That wouldn't be good. You indicated that there were discussions in, I believe, you said May and June time frame.

Pg: 57 Ln: 25 - Pg: 59 Ln: 13

Designation:

Q. In some time frame commencing pre-petition, correct?

58:

A. Uh-huh.

Q. Okay. About borrowing money for deposit into the general fund. Is that a -- am I correct so far?

A. Yes.

Q. Okay. With the purpose -- I'm asking you -- with the purpose of depositing it in the general fund at the time you were first contemplating this, whenever it was, spring, to, you know, provide a supplement to the City's working capital during the proceeding?

A. Yes. That would be in the May/June time frame, this -- that concept that the general fund may need additional financial resources to proceed with a potential, but in no way inevitable, filing at an indeterminate date in the future. Like, that's when we were thinking about that idea --

Q. Okay.

A. -- amongst others.

Q. All right. So then the petition is filed. Given that you had considered the potential need to supplement the City's general fund, is there a reason for the -- that the City waited until August to begin soliciting financing proposals?

A. Yes.

Q. What is that reason?

A. Amongst the reasons that the -- I'm going to answer

59:

the question what -- what are some of the -- well, there's many reasons why it -- we started the solicitation process in late August, chief of which is we had not yet concluded our discussion amongst key decision makers about the nature of the solicitation documents and the -- what did we call this, the term sheet -- the indicative term sheet.

Q. So if I understand your answer, it took a while to generate -- to reach consensus on the business terms that would be reflected in the indicative term sheet that was sent to proposed lenders. Is that a fair summary of --

A. Yes, that's a fair summary.

Pg: 59 Ln: 14 - Pg: 62 Ln: 8

Designation:

59:14 Q. When did the process of formulating what eventually became the economic terms of -- sent to prospective lenders, when did that process begin?

A. I don't recall a particular date, but most -- I believe it was in the late July/early August time frame.

Q. Late July or early August?

A. Yes.

Q. Okay. And do you recall who initiated that process?

A. Are you looking for a person --

Q. Yeah, a person.

A. -- or an institution?

60:
Q. No, a person.
A. Myself and Mr. Buckfire.
Q. Okay. All right. Now, as I understand it, the City went out and the term sheet reflects that the City anticipated that of the $350 million for which financing was sought, roughly 230 million would be necessary for the swap termination loan, correct?
A. Yes.
Q. Okay. Leaving $120 million for other purposes, correct?
A. Yes.
Q. Why $120 million? Where does that number come from?
A. That number is -- that number is a result of the iterative dialogue that various decision makers and advisors had about a wide range of factors, including the desired overall size of the facility and the likely amounts required for the swap termination loan portion, as well as the interest rate of the overall facility, the potential required amortization and desired proposed remedies and indicative cash flow forecasts that were provided by Ernst & Young incorporating those amounts of overall proceeds and, also, quality of life loan size proceeds, which were also -- and that analysis was also informed by work that the City and Conway McKenzie had performed in
61:
regards to prospective spending on required reorganization -- operational reorganization and

reinvestment initiatives.

Q. Okay. You said that that was -- I'm going to drill down a little bit. You said it was --

A. Well, I would -- amongst other factors, including, you know, appropriate liquidity cushion, and state of the City's overall finances.

Q. Okay. You said there was an iterative dialogue among various City representatives, advisors. Who participated by organization? Let's start with that. Who participated by organization?

A. The City of Detroit, both the Office of the Chief Financial Officer and the Office of the Emergency Manager; the City of Detroit's advisors, including Miller Buckfire, Conway McKenzie, and Ernst & Young; as well as the City's counsel, Jones Day and Miller Canfield; the Michigan Finance Authority, representatives of the Michigan Finance Authority; the representatives of the State Treasurer's Office; and I think I'd need to -- I think I need to know with regards to what items we're discussing to formulate whether various of their advisors were participating in the process.

Q. All right. Well, that's a pretty good list. The
62: State Treasurer's Office and the Michigan Finance Authority --

A. Yeah.

Q. -- is it Finance?

Was their involvement -- were they involved in the -- what I'll call the sizing of the DIP loan or were they involved separately ultimately in approving the DIP loan?

Pg: 62 Ln: 11 - Pg: 64 Ln: 15

Designation:

62:11 THE WITNESS: Representatives of both of those groups participated in the structuring discussions that we had over the post-petition facility in the August time frame.

BY MR. MARRIOTT:

Q. Had the State Treasurer's Office and the Authority signed off on the formal term sheet that was sent to respective lenders?

A. They saw it. They saw the materials. I don't know -- I can't speak to what the verb signoff would kind of mean in an official capacity, but they had reviewed the package.

Q. Had either of them lodged any objection to the -- either the concept of DIP financing or the terms reflected in the term sheet sent to prospective

63: 1 lenders?

A. Neither institution lodged it, had any standing objections, as it would be, to the package that we went out with.

Q. Did they, either of them, at any point in the process express any concerns or objections at all?
A. Yes.
Q. Okay. Was it the Authority or the State Treasurer's Office that expressed concerns or objections?
A. The particular event that I'm thinking of, which I can't say is the only one, came from the Finance Authority.
Q. Okay. And what was their concern or objection?
A. They wanted the solicitation to reflect the City's willingness to think as creatively as -- and comprehensibly as possible in regards to financing alternatives and requested that we incorporate language in the cover letter as well as the term sheet indicating that we would consider financing proposals other than a debtor-in-possession financing facility, including but not limited to novation concepts of the City swap agreements.
Q. Do you have understanding of why that issue was important to them?
A. They had indicated that some potential financing or
64: liquidity providing parties had mentioned to them that novation of the City's swap agreements could be another method to produce the liquidity that the City required and they did not want to discourage those parties from participating in the process.
Q. And their concerns were addressed by including in the

letter an invitation for prospective lenders to propose a structure different than that set forth in the term sheet that they were sent; is that correct?

A. The resulting change was incorporated into the first sentence -- or, sorry -- the last sentence of the first paragraph of the cover letter --

Q. Okay.

A. -- as well as the first page of the term sheet under the provision 2, type and amount.

Pg: 64 Ln: 16 - Pg: 65 Ln: 9

Designation:

64:16 Q. Okay. Now, let's go back to the genesis of $350 million. The first factor that you gave, and I don't know whether it's the first, most important, but I'll ask. The first factor you gave is a consideration of -- based upon principal amortization schedule, interest expense, and the like was could the City afford the loan; is that correct?

A. I need a -- you need to reask the question.

Q. All right. In determining how much to borrow --

A. Right.

65: 1 Q. -- was the first consideration what the City from a cash flow standpoint could afford?

A. One of the considerations was whether the City could tolerate from a liquidity standpoint a -- a hard amortization scenario where the lender would be collecting under a default interest rate, as well as the contractual mandatory amortization provisions.

Q. Okay. So the City was concerned about not borrowing more than it could service or repay; is that fair?

Pg: 65 Ln: 12 - Pg: 66 Ln: 7

Designation:

THE WITNESS: I -- not the City. I'm not the City, but I think that that appropriately reflects one of the concerns that the City decision makers had.

BY MR. MARRIOTT:

Q. Let me try asking the question this way, and if I'm not clear, we'll try again. The total amount the City borrowed or proposes to borrow and proposed to borrow when it went out to lenders was $350 million, right?

A. Yes.

Q. It was an assumption that approximately $230 million of that would be used for the swap termination, correct?

A. That's correct.

Q. That left $120 million for other uses, correct?

A. Yes.

Q. Was that $120 million a number that was built up from particular uses that the City had in mind that aggregated to $120 million or was that $120 million simply the balance of a total loan that the City felt it was appropriate to borrow? Do you understand the question I'm asking?

Pg: 66 Ln: 10 - 22

Designation:

66:10 THE WITNESS: I do understand the question. You're asking, in essence, this is a which-came-first type concept, and I don't believe that that's an appropriate characterization because the process, in the end, was, as I said, highly iterative and the -- the City and its stakeholders had an opportunity to take a look at this particular loan sizing and what the implications were for the City's liquidity as the City proceeded down a revised restructuring and reinvestment path and had the opportunity to determine whether that was acceptable, both in terms of the loan size and also what the initiatives -- the revised form of the initiatives.

Pg: 66 Ln: 24 - Pg: 67 Ln: 12

Designation:

66:24 Q. In coming up with the $120 million, roughly, for the quality of the life loan, was -- were you working from sort of wish list of purposes to which the money would be devoted?

A. No. That's not how I've characterized how the process the City engaged in worked and Miller Buckfire was not focused on a -- any sort of City wish list.

Q. Would it be fair to say that from Miller Buckfire's perspective, you were approaching this similar to the way you were thinking about it back in the spring before the case was filed; in other words, looking at cash flow projections out of the general fund and making a judgment as to what amount would be necessary to maintain appropriate liquidity during the case?

Pg: 67 Ln: 15 - Pg: 68 Ln: 17

Designation:

67:15 THE WITNESS: No, I don't believe that that's -- that's accurate. Our thinking considerably evolved, because in the spring, we did not have any anticipated, you know, time and conclusions on how exactly a Chapter 9 proceeding would look liquidity wise and when it would occur.

So in the spring, there was a general concept that one purpose of providing liquidity to the general fund would be working capital, in addition to the payment under the Forbearance and Optional Termination Agreement. The process that we went

68: 1 through in late summer was much more reality and data based because we actually had a filing and we had, you know, actual and forecasted cash flow balances and we had an understanding of what the -- some of the operational and reorganization initiatives would be on a -- on a grandular level and also how they would potentially have to be revised considering in their initial formulation, they were supposed to begin mid summer.

Similarly, we -- in addition to having an actual filing date and resulting working out -- working capital implications from that filing, we had revised actual performance and prospective assumptions about obligations the City was continuing to pay on and the City's cash flows. So we had a better sense of -- in a revised sense, of where the City's liquidity would be.

Pg: 69 Ln: 13 - Pg: 70 Ln: 2

Designation:

69:13 Q. First of all, let me just confirm this. I believe that you sent two packages to -- by the way, that reminds me of a question. Back when you did your list of people who were involved in the iterative dialogue regarding the structure and economics of the proposed DIP, you didn't mention the City Council. Was the City Council or any of its representatives or advisors

involved in that iterative dialogue?
A. No.
Q. But, ultimately, you advised them by advising them I think first of the status and then of outcome; is that correct?
A. Yes.
70: 1 Q. Let me --
A. Yeah. I think that's fair.

Pg: 70 Ln: 16 - Pg: 72 Ln: 24

Designation:

70:16 Q. Mr. Doak, take a second to look at what's Doak 4 and let me know when you've had a chance to do that.
A. I'm set.
Q. Okay. This is dated, I think, 10 days before Doak 3?
A. Yes.
Q. And I read it as a staff -- as a status update rather than transmission of final terms?
A. That's correct.
Q. Was this, in fact, transmitted to City Council, this document?
71: 1 A. This was provided to each member of City Council in six one-on-one meetings that I had with each one of the members, and in one instance that I can recall, with a staff member. So this was physically handed to the council member.

Q. Okay. And then you met with each of them individually, not with City Council as a group, in discussing this Doak 4?

A. Yes.

Q. Okay.

A. Subsequently, later on, one council member requested this in an electronic form and I believe I provided it to him.

Q. Now, if you would flip to what's Bates stamped 20043. This has this financing process, progression, which is what I suspect you were flipping through Doak 3 to find.

A. Yes.

Q. So number of parties contacted is 50. That contacted does not mean they were sent a package, correct?

A. That's correct.

Q. Okay. Who identified the 50 to contact?

A. Multiple parties identified the 50. Miller Buckfire prepared an initial list and parties -- parties involved were able to add themselves and, also, some
72: parties contacted the City and Miller Buckfire.

Q. Okay. So parties contacted could mean either Miller Buckfire out or somebody in?

A. Yes.

Q. Okay. And then the next line item is number of parties that executed nondisclosure agreements. Would those -- all of those 40 have gotten the proposal package?

A. Yes.

Q. Okay. So all of those 40 would have gotten the Doak 2, the associated term sheet, the forbearance agreement, and subsequently the liquidity analysis?

A. Yeah.

Q. Okay. And then 16 submitted letters of intent, which took what form in your process, a proposed term sheet? Is that -- what did the letter of intent have to look like?

A. A letter of intent had to -- it had to be a -- some form of structured response in regards to a financing commitment or other structure. It had to be -- it could be two pages back, indicating general interest in participating with an indication as to which of the facilities and the size and generate conversations or it could be a fully marked-up term sheet.

Pg: 73 Ln: 11 - 17

Designation:

Q. No, no. I probably asked the question incorrectly. Do you know how many of the 16 either marked up your term sheet or submitted a term sheet of comparable detail?

A. I can't recollect a specific number, but I would say to the best of my recollection, maybe eight, seven or eight.

Pg: 74 Ln: 3 - Pg: 75 Ln: 3

Designation:

74: Q. If you would take a look at what's been marked Doak 5 and turn to Bates stamped 20218.
A. Yeah.
Q. It says at the top Post-Petition Financing All-In Cost Analysis?
A. Yes.
Q. There are, in fact, eight parties listed here. Are these the eight that provided either a mark up of the term sheet or something in comparable detail?
A. These are the eight at that particular time. I would say your total number ends up being nine.
Q. Okay. And was another version of this comparison done that added the ninth?
A. No.
Q. Okay. And one more question, and then we'll break for lunch.
Looking back at Doak 4, it indicates that four parties ultimately submitted a commitment letter.
A. Yes.
Q. Which of these four were the four parties that submitted a commitment letter?
A. The four parties referenced by this presentation were

Bank of America, Merrill Lynch, Barclays, Goldman, and

75: CarVal.

Q. Those are the four that are referenced in the --

A. Yes.

Pg: 77 Ln: 3 - 15

Designation:

77: Q. And just to confirm my notes, the four that delivered commitments at your request and that will be reflected on an update to Doak 5 were Bank of America, Merrill Lynch, BANL, right?

A. Yes.

Q. Barclays, Goldman Sachs, and CarVal?

A. CarVal, yeah.

Q. What is CarVal?

A. CarVal is a multi-billion dollar institutional investor, effectively a hedge fund from Minneapolis that is loosely affiliated with Cargill and they had a group of investors that came together to offer the City this particular proposal.

Pg: 77 Ln: 16 - Pg: 78 Ln: 7

Designation:

77: Q. If you could grab Doak 2.

A. And to clarify on the record, yes, there is a further version of Doak 5 and we are -- you know, we are getting that.

Q. Okay.

A. And I'm back to Doak 2.

Q. Let's turn to page 2 of the term sheet, which is Bates number 16685, and I'm looking at collateral. Now, as I understand, the collateral that was proposed to prospective lenders it was somewhat different for the swap termination loan and the quality of life loan. If I understand this, the swap termination loan would be secured by a first lien on income tax revenues of the City, and a pari-passu lien with the quality of life loan first on what's called the asset proceeds collateral, correct? And then the -- can you answer?

A. Yes. Yes.

Pg: 78 Ln: 14 - Pg: 80 Ln: 8

Designation:

78:14 Q. Quality of life loan has a first lien on the wage and tax revenues, the casino revenues?

A. Yes.

Q. A second lien on the income tax revenues behind the swap note --

A. Yes.

Q. -- right?

And then the shared first lien with the

swap note on the asset proceeds collateral, correct?
A. Yes, that's correct.
Q. The swap termination loan has -- under your proposal, had no lien on the wage and tax revenues; is that correct?
A. That's correct.
Q. Okay. Now, if I read the Barclays' commitment and proposed definitive loan documentation correctly, this is precisely the collateral structure that is contemplated for the DIP; is that correct?
A. Yes. The -- Barclays' collateral structure largely materially accepts what was in the indicative term sheet.
Q. When you say materially, are their differences that you're aware of?
A. Well, there may be more details and legalese, but basically it's the same --
Q. All right. So the economic --
A. -- structure.
Q. -- terms are the same, although the words may be different?
A. Actually, there's modest changes on the economics. For instance, in one point where one of the loans is paid off, the amount that can be drawn from income tax goes to 8.
Q. Under the Barclays' deal?
A. Yeah.

Q. And under your proposal here, the $4 million per month that was applied to this swap termination loan would simply move over to the -- well, it doesn't matter. We'll get to the precise Barclays' deal in a minute.

But in any event, I'm correct that the proposal that went from the City to prospective lenders contemplated the collateral including income tax revenue, asset proceeds, and the casino revenues, correct?

A. Yes.

Pg: 80 Ln: 9 - Pg: 84 Ln: 15

Designation:

80: 9 Q. And if I understand it, the asset proceeds collateral constitutes any proceeds from the sale or series of sales of City assets that exceeds $10 million; is that correct? And I'm looking at what's called mandatory prepayments on page 2 of the term sheet.

A. Yes. This is the -- this is the provision that you're referring to on page 2 of the term sheet is the provision that we provided to the lenders.

Q. Right. Okay. Wouldn't you agree with me that if a borrower goes out to lenders and proposes to give collateral, it's unlikely that prospective lenders would say, no, thanks, I'll lend you the money without collateral?

A. It would be unlikely that a potential lender would remove or -- you know, remove protections from their proposal that were at -- that we went out to with -- in the initial form.

81: Q. So why did you concede that this loan would have to be collateralized right out of the box rather than first seeking either unsecured credit or credit with less collateral?

A. We went to market with this proposed term sheet recognizing we had a limited amount of time to educate an extremely knowledgeable and sophisticated investment community on a financing that they would be considering in the midst of many other competing investment opportunities. This investor community would also be very familiar with market and -- market terms and conventional and customary provisions associated with post-petition financing, and given the fact that we had a limited amount of time and we were operating in a very competitive environment and also one that was -- one in which there was substantial litigation from stakeholders, we recognized that the financing -- we believed that the financing would most likely have to have these particular provisions in order to receive solic -- receive indications back from parties.

Q. Is another way of saying that that you assumed that you would need a collateral package of this type to generate interest?

A. Based on the -- a -- I don't know how you want to talk

82:

about or how you consider the term assumed because we came to these -- we came to the conclusion that the package would require these provisions based on a variety of factors including the ones I've already specified and including, you know, preliminary dialogue with -- with would-be financing parties.

Q. So did you seek unsecured financing for the City for the DIP at all?

A. We should discuss what you think about the concept of seek, but we did not produce a solicitation document that asked parties to return bids for unsecured financing.

Q. Did you pick up the phone and call anybody and ask what their interest would be in providing unsecured financing to the City?

A. Yes.

Q. Who?

A. The topic of conversation came up in a number of conversations with -- with potential parties.

Q. All right. Let's parse that. Who was asked if they would provide unsecured financing to the City for this facility?

A. I can recall it coming up in a -- the best of my recollection, a conversation with CarVal, and I believe it came up in some of Mr. Buckfire's

83: conversations with -- with other potential lenders.

Q. Do you know which ones?

A. No.

Q. The conversation with CarVal, you had that?

A. Yeah.

Q. Did you have it before or after the solicitation package went out?

A. Before.

Q. And when was the conversation?

A. I don't recall the particular date.

Q. What was the --

A. It would be in -- it would be in August.

Q. And what was the substance?

A. Substance of the conversation would be them dialoguing with us about how they think -- thought a deal could get done and a -- a question from -- from me, you know, broadly as to whether the financing could be done without these particular provisions and -- and an indication on their part that they didn't see it happening.

Q. All right. Let's push that a little bit. This conversation with CarVal, was it -- were you asking for their views of the market generally or were you asking for their views about what would be of interest to them specifically?

84: A. They were presenting their thoughts on the market and how they were thinking about structuring the financing.

Q. All right. Who called whom?

A. Most of the conversations with the CarVal representative. I -- the CarVal representative was calling me and checking on the status of the process.

Q. And you said to him would you be interested in making a loan to us on an unsecured basis. Did you ask that question?

A. No, I did not.

Q. So what you're saying, if I understand you correctly, is you would be -- the conversations that CarVal had with you took as a presumption that there would be collateral?

Pg: 84 Ln: 18 - Pg: 85 Ln: 10

Designation:

84:18 THE WITNESS: Well, I think CarVal certainly presumed there would be -- there would be a security interest.

BY MR. MARRIOTT:

Q. Okay. Did you personally ask any prospective lender if they would make an unsecured loan, make the DIP loan to Detroit on an unsecured basis?

A. Aside from the conversation we just discussed, no.

85: 1 Q. And I understood -- at least I thought I understood your answer with respect to CarVal that you didn't

specifically ask them?
A. That's correct.
Q. Do you know if Mr. Buckfire in his conversations with potential lenders specifically asked any of them if they would be willing to make an unsecured -- make the DIP facility available to the City on an unsecured basis?
A. I don't know.

Pg: 85 Ln: 11 - Pg: 86 Ln: 11

Designation:

85:11 Q. When constructing the collateral package for the DIP facility that the City incorporated into its solicitation package, did you consider the effect that that collateral package might have on recoveries for unsecured creditors in the case?
A. We -- we considered the over -- the implications of getting the overall financing accomplished.
Q. Okay. Tell me -- tell me what you considered.
A. We considered the importance of the City having adequate liquidity throughout the restructuring case so that we could continue to maintain operations. We considered the importance of initiating the operational initiatives and spending that were targeted in the revised Conway McKenzie documentation. We considered the importance of resolving the ongoing

default condition with the swap counterparties, and we considered the savings -- effective savings available to the City associated with paying the optional termination and resolving the swaps and what that would provide the City in regards to its liquidity and overall ability to operate and at some point in the future, you know, return value to the creditors.
Q. Let me come at that from two different angles. Did you have projections that reflected that creditor -- that amounts available for distribution to creditors would be enhanced if the DIP facility was borrowed?

Pg: 86 Ln: 14 - 15

Designation:

THE WITNESS: We did not have comparative projections.

Pg: 86 Ln: 17 - Pg: 87 Ln: 14

Designation:

Q. So you didn't know whether, in fact, the DIP loan would enhance creditor recoveries; is that correct?
A. No, that's not correct.
Q. Well, how would you have known it without projections that demonstrated?
A. The City's projections are based on a number of

assumptions, including its ability to restore basic municipal services from a present status quo position of service insolvency, and in doing that, produce the revenues and costs that the City currently incorporates into its forecasts. So it is important for the City to engage in those operational initiatives and reorganization initiatives in order to stabilize the operations of the City, improve the operations of the City to an acceptable level that will eventually allow the City to return value to its creditors.

If the City doesn't have the DIP or the post-petition financing, we do not ask -- we do not forecast having sufficient liquidity to proceed forward with the operating initiatives at this time and it's a -- it's my belief that that will be detrimental to the recovery of creditors.

Pg: 87 Ln: 25 - Pg: 90 Ln: 5

Designation:

Q. All right. Let me ask the question differently. What's the importance of doing a DIP now versus borrowing the same amount of money in connection with a plan of adjustment and an exit from the case?

A. There is a pressing, immediate need both to resolve our default with the swap counterparties and to immediately improve the state of municipal services in the City of Detroit. The City is under-policed, under-lit, and under-protected today and people are leaving the City and revenue opportunities are being lost today. The longer the City waits, the longer those opportunities, those revenues are lost, the more expensive the deferred maintenance becomes and the greater risk is incurred by the City and all its stakeholders in regards to the City's ability to stabilize and revitalize itself.

Q. What's the balance of the general fund today?

A. The balance of the general fund today, or the end of -- I thought it was the end of October, based on my conversation with ENY was approximately $100 million in the account.

Q. And you -- but you don't know what it was as of November 30th?

A. I thought -- that was the best of my recollection that it might be the $100 million figure.

Q. As of November 30?

89: A. I --

Q. The number you remember is 100 million. You're not --

A. Yeah.

Q. -- real sure when it's from?

Are there projections that show when the City runs out of money, if it relies solely on the general fund and no supplemental financing?

A. There have been, yes.
Q. Well, when you say there have been, are there any current such projections?
A. There was a -- there was a cash flow put together for the benefit of a dialogue with the stakeholder that showed a general -- where the City continued to operate on the general fund and at the same time made the spending associated with the operational restructuring initiatives and that particular forecast showed the general fund at a negative cash balance in -- beginning in April or May of 2014.
Q. Okay. And has an analysis been done which adds 120 million to the general fund and project how much further the general fund would maintain a positive balance?
A. Well, that -- yes. That would actually just be the liquidity forecast associated with the DIP financing effectively, right? Because that forecast assumes the
90: DIP financing occurs. In that forecast, additional amount, roughly 120 million, the balance of the post-petition financing is added to the general fund and -- and then we run out the City's prospective liquidity.

Pg: 90 Ln: 10 - 17

Designation:

Objectors' Designations From December 5, 2013 Deposition of James Doak

Q. Mr. Doak, just let me know when you get a chance to look at Doak 6.

A. Okay.

Q. Is Doak 6 the liquidity analysis that was contemplated by the package sent to the prospective lenders and that was eventually sent to them?

A. Yes, it appears to be that forecast that you referenced.

Pg: 91 Ln: 2 - 15

Designation:

Q. Do you understand creditor proposal in that context to be the June 14th proposal for the quality emergency manager?

A. Yes.

Q. Top line of the spreadsheet there refers to funds available for unsecured claims per creditor proposal. Do you see that?

A. Yes.

Q. What do you understand the numbers under fiscal year 2014 through fiscal year 2017 for that line item to reflect?

A. That reflects a residual balance of liquidity in each one of those years coming from the forecast that was in the creditor proposal.

Objectors' Designations From
December 5, 2013 Deposition of James Doak

Pg: 91 Ln: 16 - Pg: 92 Ln: 14

Designation:

91:16 Q. Okay. And my understanding is that forecast did not include any sort of DIP financing, correct?
A. That's correct. That forecast did not include a Chapter 9 filing.
Q. No. I understand that. All right. Let me ask it a different way. Did that forecast contemplate financing of any kind?
A. It did not contemplate any further financing, right. It has the financing existing at the time in the form of the BSA-backed bonds and parking bonds.
92: 1 Q. Right. But it didn't contemplate any incremental finance?
A. That's correct.
Q. Okay. Then, if you would look further down at the line that says net cash flow per DIP financing scenario. Do you see that?
A. Yes.
Q. What is your understanding of what those numbers reflect?
A. That reflects the net cash flow for each one of the years after taking into account the -- the various changes in the forecast associated with the passage of time, the Chapter 9 filing, and the assumed DIP financing terms.

Objectors' Designations From
December 5, 2013 Deposition of James Doak

Pg: 94 Ln: 1 - Pg: 95 Ln: 1

Designation:

94: Q. I'm looking at the top line that says $31.9 million available for unsecured claims in fiscal year 2015. Do you see that?
A. Yes.
Q. How is that a flow and not a balance?
A. That is a -- that is the cash flow, positive cash flow that occurs in the forecast in that particular year.
Q. Okay.
A. It's a -- it is a residual -- it is a residual for that year.
Q. All right. And if I understand --
A. But there's a flow amount. It's like something you would see in an income statement or a statement of cash flows.
Q. No, I understand that, but the creditor proposal, as I understand it, contemplates making distributions to creditors from positive cash flow, correct?
A. I -- the proposal to creditors, it is -- has many different facets in regards to what it's paying or what is available for the various unsecured creditors.
Q. No, I understand that. But funds available for unsecured claims, what does it mean if it doesn't mean money that could be distributed to unsecured creditors

under the creditor proposal?
A. It does mean cash flows in the given period that would be available for distribution to creditors.

Pg: 100 Ln: 1 - Pg: 101 Ln: 7

Designation:

Q. All right. Let's talk a little bit about these two forecasts. We have the forecast that begins on the third page of this exhibit, which reflects net -- cash net of distributions is positive all the way through the forecasting, correct?
The cash flow that begins on page -- if I am reading it correctly, reflects positive fund balance. It looks like the forecast -- throughout the forecast period.
A. Yes.
Q. Correct?
A. Uh-huh.
Q. Okay.
A. That's correct.
Q. Then we get to Appendix A, which is reinvestment adjustments summary. How does the readjustments summary relate to the first cash flow forecast that you just discussed? Is it built into it or is it -- is Appendix A layering on the expenses associated with reinvestment? Do you understand my question?

A. Yes. It is built into it.
Q. So that the cash flow on pages 4 and 5 incorporate the reinvestment expenses reflected on pages 7 through 9?
A. Yeah, 3, 4, 5 --
Q. Right --
101: 1 A. -- incorporate 7, 8, 9.
Q. Okay. What 7, 8, and 9 do is simply reflect on a standalone basis the impact on cash flows of reinvestment and then you take that impact, roll it into the other components of generation of the cash flow, and you get what's on 4, 5, and 6?
A. Yes.

Pg: 101 Ln: 11

Designation:

101:11 MR. MARRIOTT: I do mean 3, 4, and 5.

Pg: 101 Ln: 14 - Pg: 102 Ln: 6

Designation:

101:14 Q. If you turn back to the first page -- or the second page. I'm sorry. Page 2 of Doak 6. Okay. We have memo 2 at the bottom, DIP financing related activity. Do you see that?
A. That's correct.
Q. And there are certain assumptions built into this

financing related activity, including interest rate and the amount of the swap settlement. Do you see that?

A. Yes.

Q. All right. And the interest rate assumed for this purpose was 5 percent. Let me just first ask you why

102: 5 percent?

A. The 5 percent was a product of a number of conversations and we -- coming to the conclusion that using an indicative rate of 5 percent would be the least prejudicial interest rate to use in our model in presenting it to would-be investors.

Pg: 102 Ln: 7 - Pg: 103 Ln: 6

Designation:

102: Q. So if I understand your answer, it's a little bit like going out with collateral and expecting lenders to come back saying we don't need it. You were concerned about going out with a number that was credible, but which didn't invite high interest rate proposals on the way back in; is that what you mean by prejudicial?

A. No. I think you're close, but I -- first, I think it's very different when soliciting lenders and thinking about terms of collateral and protection versus terms of interest rate. So I -- I don't feel comfortable suggesting that there's, you know, a

strong amount of similarity between the two.
What I indicated, said again but maybe slightly differently, is that placing 5 percent in this model seemed to approximate a good starting point and also the rounded number would indicate to parties both that they may have to flex up or -- they may flex up in what they were asking for or the pricing may be actually lower than 5 percent.

Q. All right. I guess the word that got me thinking along the lines I expressed was prejudicial in your answer. What did you mean when you say it was a number that -- and I believe the formulation you said was something along the lines of least prejudicial?

A. Least likely to influence the feedback.

Pg: 105 Ln: 16 - Pg: 106 Ln: 12

Designation:

Q. Mr. Doak, if you would take Doak 5 back and turn to the page starting Bates stamp 20226 and this, I gather, is what we were talking about and searching for earlier, which is the comparison of the actual commitment letters received, correct?

A. Yes.

Q. Were there further negotiations with any of these four parties after receipt of the commitment letter?

A. Yes.

Q. Which of the four were there further negotiations with?

A. Barclays, CarVal, Bank America, Merrill Lynch, and there was a further conversation with Goldman Sachs. So we remained in -- we had further conversations with all four parties.

Q. Okay. And did any of them, following those conversations, amend the terms of their commitments?

A. Yes.

Q. Okay. Were those amendments informal or were they -- were they accompanied by a revised commitment letter?

A. They were accompanied by revised drafts of their commitment documentation.

Pg: 106 Ln: 21 - Pg: 108 Ln: 2

Designation:

106:21 BY MR. MARRIOTT:

Q. Looking at this chart, starting on Bates 20227 and starting with Barclays, can you tell me which of the terms reflected on this exhibit were changed and to what they were changed?

107: 1 A. First, to begin to answer the question, it's important to note that this document was created on the 3rd.

Q. Okay.

A. So the first final drafts of the commitment letters that we received from these parties was before the 3rd

and this document incorporates negotiations in progress.
Q. Okay. So -- all right. Were there changes to the proposed terms after generation of this document?
A. Yes.
Q. Okay. Can you tell me, starting with Barclays, what the changes were to the proposed terms after generation of this document?
A. What I can do to my -- the best of my ability is tell you the -- my recollection of which terms here changed.
Q. That's perfectly fine.
A. Because all of the terms that are here didn't -- terms that are not here, finer legal points may have continued to be negotiated and changed and the like.
Q. I understand. But I'm assuming that these terms were listed because those were the ones that at least from an economic basis were considered the most significant. So why don't you tell me --
A. They're ones that at the time Miller Buckfire felt that it was material to point out to the economic decision makers.

Pg: 108 Ln: 9 - Pg: 112 Ln: 15

Designation:

Q. Yes?

A. -- which is the 20228, the minimum revenue levels were negotiated.

The --

Q. I am not seeing this. Hold on.

A. I'm on 20228.

Q. Right.

A. Barclays' column, top row, selected covenants, first bullet, minimum wage and income tax levels to be agreed upon.

Q. And they were ultimately agreed upon, correct?

A. Yes.

Q. And my recollection is it's $30 million a month for each?

A. No. Every three months.

Q. Every 90 days.

A. It's a rolling covenant.

109:

Q. Okay.

A. We also further negotiated the second bullet point, which is the provision associated with the cessation of control of the City by an emergency manager.

Q. Okay.

A. Or in this case an emergency manger, which may be appropriate for the holiday season, but that period was lengthened and several other potential acceptable governance conditions were added.

Under collateral, the terms were further amended to provide -- provide for a condition where the -- let's see -- where the swap termination loan was paid off and the quality of life loan wasn't, although that's extremely unlikely, and in that condition -- nope. Sorry. It's the reverse.

In a situation where the quality of life loan has been retired and so there is no longer a 4 million a month pull on wage earning taxes, then the swap termination loan can go up to 8 a month on income tax.

Q. Okay.

A. On the mandatory prepayments, further terms and details were negotiated in regards to how to think about asset sale proceeds, in regards to how to think about aggregation of sales. I do not recall any

110:

further adjustments from these particular terms, not to suggest that there -- that there weren't.

Q. Okay. Any changes to the CarVal terms?

A. I do -- I do not recall with sufficient clarity the various changes that were being suggested in regards to the CarVal facility.

Q. Okay. Bank of America, Merrill Lynch.

A. Given the timing of this particular presentation, there were no -- there were no further revisions to the Bank of America, Merrill Lynch, or Goldman Sachs terms because we had terminated our negotiations or suspended our negotiations with these parties.

Q. Okay. So it's fair to say that the last two horses in the race were Barclays and CarVal?

A. That's correct.

Q. Okay. And what were the factors that led to the selection of Barclays over CarVal?

A. There were a number of factors that led to the selection of Barclays over the CarVal group, including pricing, institutional reputation, commitment by a single institution versus a syndicate, and also, acceptable negotiated provisions on other elements of the financing including required opinions, terms of -- potential terms of the court order, and other provisions.

111: 1 Q. Okay. Just looking at the CarVal column starting on 20227, which is the first substantive page, it shows a six-month delay draw on the quality of life loan. Am I reading that correctly, that the draw on that loan would not be a closing but a six-month post-loan closing?

A. At the option of the City, there was a delay draw option that was a component of the carveout proposal.

Q. And I see that there was an unused fee that was half of regular rates. So this was a cost saving feature of the CarVal facility?

A. This -- yeah. This was a -- this was an expense reducing provision of the CarVal facility.

Q. Did the City consider that to be an attractive feature of the CarVal offer?

A. Yes.

Q. One of the other CarVal options is for an exit facility. Do you see that?

A. Yes.

Q. Would that have been a committed exit facility? I mean, were the terms in place?

A. Yes.

Q. Okay. Was there a cost associated with exercising the option?

A. There would have been.

112:

Q. Do you know what it was?

A. I'd have to refer to the CarVal documentation.

Q. Okay. Do you know the -- the length of the exit facility?

A. I'd have to refer to the documentation. I could be -- it could be a five to seven-year.

Q. Okay. So just --

A. Sorry. Yeah. I mean, the -- we should just look at that document if we want to figure out what the pricing is, but the -- it was similar to the pricing. It was not -- it was not a cheap option.

Q. The pricing for the exit facility was similar to the pricing for the debt?

A. No. The pricing was -- the pricing provision was complex.

Pg: 112 Ln: 18 - Pg: 113 Ln: 5

Objectors' Designations From December 5, 2013 Deposition of James Doak

Designation:

Going back to Doak 2, I asked you a question about the extent to which consideration was given to the effect on distributions to creditors arising from the DIP and its structure and we got onto a discussion at that point about cash flow impact. Was consideration given to the effect on distributions to creditors and the potential terms of a plan of adjustment by granting a lien on asset proceeds, collateral, in excess of $10 million?

A. I'd have to say yes, in that the DIP financing, per the terms herein, the post-petition financing would have a priority interest in the net proceeds from asset monetizations.

Pg: 113 Ln: 6 - 9

Designation:

Q. Well, was there any concern that putting $350 million ahead of unsecured creditors on the value of the City's assets would make those assets a significantly less attractive feature of any plan of adjustment?

Pg: 114 Ln: 3 - 9

Designation:

THE WITNESS: We were -- at the time, we were focused on the $280 million swap termination liability that the City was potentially facing immediately and the impact that that would have on the City's overall ability to operate, as well as our ability to engage in any sort of activities to improve the operations and revitalization of the City.

Pg: 114 Ln: 25 - Pg: 115 Ln: 3

Designation:

A. The City has a current Mark-to-Market swap liability of $277 million as of the end of November. The City is currently under default on that swap derivative and we are in bankruptcy court. The derivatives have

Pg: 115 Ln: 25 - Pg: 116 Ln: 18

Designation:

Q. Have the swap kind of parties threatened to terminate?

A. I don't know.

Q. Are you aware that Syncora and FGIC have taken a position that they cannot terminate without the consent of Syncora and FGIC?

A. I am not aware of the -- every detail of the swap assumption litigation, however, the City's ongoing concern in regards to this matter has been that no matter who's right or wrong or whose cash the court eventually decides the gaming revenues would be, there is a possibility that in the interim, the revenues would not be available to the City and available to nobody, and in that environment, you'd have the strong probability of a liquidity crisis at the City. That has been our historic concern.

Q. But I am correct, am I not, that the only collateral claimed by the swap counterparties are the wage tax earning revenues, right?

A. That's correct.

Pg: 117 Ln: 5 - 10

Designation:

117: 5 Q. Mr. Doak, do you recognize what we've marked as Doak 7?

A. Yes, I do.

Q. Okay. Am I correct that this is the bond purchase agreement proposed to be executed between the City and Barclays with respect to the swap termination bond?

Pg: 117 Ln: 19 - Pg: 118 Ln: 3

Designation:

117:19 MR. MARRIOTT: I'm not trying to trick the witness and they're both stapled together. They're both here. Let's start by separating them. Split them up.

And swap termination is Doak 7, and why don't we mark the bond purchase agreement for the quality of life loan as Doak 8.

MARKED BY THE REPORTER:
DEPOSITION EXHIBIT 8
3:04 p.m.

Pg: 118 Ln: 4 - 21

Designation:

BY MR. MARRIOTT:

Q. Back on now that we, thanks to Mr. Hamilton, figured out what we now have. We now have Doak 7 and Doak 8. And am I correct that Doak 7 is the proposed bond purchase agreement for the swap termination bond?

A. I believe so.

Q. Okay. And am I correct that Doak 8 is the proposed bond purchase agreement for the quality of life bond?

A. I believe it is.

Q. Okay. And I know that we've gone back and forth about what the total termination amount will be and it will be something different or may be something different at -- if the loan closes at closing, correct?

A. The payment -- yes.

Q. Okay.

A. The amount will be calculated at close.
Q. Right.
A. At or around close.

Pg: 119 Ln: 1 - 10

Designation:

Q. I'm sorry. Let me ask that again. The bond for the swap termination will be in whatever amount is necessary to satisfy the then obligation of the City swap counterparty under the governing agreements, including the forbearance agreement; is that correct?
A. I think that's accurate, yes.
Q. And then the quality of life note will be in an amount calculated to simply be the difference between the bond, the swap termination bond and $350 million?
A. Yes.

Pg: 120 Ln: 3 - 8

Designation:

Q. Then I'll simply say, if for whatever reason the City does not pay to the swap counterparties, the contemplated termination payment, is the amount that was otherwise intended for that purpose available to the City for any other purpose?
A. I don't believe so.

Objectors' Designations From December 5, 2013 Deposition of James Doak

Pg: 121 Ln: 16 - Pg: 123 Ln: 7

Designation:

121:16 Q. Mr. Doak, sorry to have so much paper in front of you, but let me ask the question again and you can refer to whatever you need to to answer. If, for whatever reason, the City determines it is not going to make a payment to the swap counterparties, are the loan proceeds otherwise intended for that purpose under the Barclays' credit available to the City for another purpose?
A. No.
Q. How would the amount of the quality of life note be
122: 1 termed in the context of -- well, let me ask the question differently. Would the City, as you understand it, still be able to borrow the amounts contemplated by the quality of life note?
A. No.
Q. So your understanding of the arrangement is borrowing any of this money is conditioned upon the City making the payment to the swap counterparties?
A. Yes.
Q. Is there a provision in particular that you are looking at in one of these exhibits that leads you to that conclusion?
A. Yes. The -- the provisions, and there may certainly

be others that could be referenced that I've -- that I've turned to in these exhibits, include in Doak 11, a page that is marked page 142 of 264, conditions precedent, and that provision -- so this is the terms of the swap termination note at the bottom of this paragraph, termination in whole of certain existing swap transactions previously entered into between the various -- between Detroit Police and Fire, et cetera, et cetera.

In addition, in Doak 8, I went to page 178 of 264 and went to closing -- condition to close provision i, which is evidence of termination and whole of all existing swap transactions, onward and so forth.

A similar provision is included in Doak 7. One can find it at page 156 of 264. Once again, it is a condition to close provision i, evidence in termination in whole of all existing swap transactions.

Pg: 123 Ln: 14 - Pg: 125 Ln: 1

Designation:

Q. Now, if I -- let me just make a statement and see if you agree with me. Other than use of proceeds and the specific collateral and ultimately the amount, are the terms of the bond purchase agreements for the swap termination note and the quality of life note otherwise substantially identical?

A. For the most part, the documents are very similar. There is a potential for the quality of life note or bond to be a -- a tax exempt issuance.

Q. Okay. On a sort of a to-be-determined basis?

A. I believe it most likely will be tax exempt. There are some options and decisions that we will make --

124: have to make subsequently in regards to whether any refinancing of the quality of life will be tax exempt.

Q. Okay. And in terms of use of proceeds, we know that the swap termination note is intended for making a payment to the swap counterparties. Am I correct in understanding that the documents provide that the proceeds of the quality of life note can be used by the City for any lawful purpose?

A. I don't believe there is a -- there are any restrictions in regards to the use of proceeds in the bond purchase agreement for the quality of life loan.

Q. Okay. In terms of the interest rate on both notes, my understanding is that what I'll call base case is LIBOR plus 2.5 percent, with a LIBOR floor of 1, correct?

A. That's the -- that's the pricing, the documentation.

Q. And I believe I'm -- it's also the case that both of those numbers, the LIBOR floor and the spread over LIBOR, are subject to something called market flex,

correct?
A. That's correct.
Q. And -- and I'm sorry to do this to you. That agreement regarding market flex is contained in a separate document, which is a fee agreement with Barclays; is that correct?
125: 1 A. A fee letter, yes.

Pg: 125 Ln: 8 - Pg: 128 Ln: 4

Designation:

125: 8 Q. Mr. Doak, is what's been marked as Doak 12 the fee letter?
A. Yeah. I have two copies.
Q. Here. I'll take one. Okay. And the market flex provision is section 3 on page 2, right?
A. Yes.
Q. And first, to talk about the parameters of market flex, as I understand the fee letter, the LIBOR floor can flex up to an additional 1 percent to 2 percent and the spread over LIBOR can flex from 2 percent -- 2 and 1/2 percent up to an additional to 2 percent to 4.5 percent, correct?
A. That's correct.
Q. So that the interest rate on the DIP facility, depending upon as and to the extent the market flex is triggered, and we'll talk about that in a minute,

could go as high as 6.5 percent, correct?
A. That's correct.
126: Q. Now, I'm going to give you my understanding of market flex and then you can tell me whether I've got this right. The purpose of market flex is to provide to, in this instance, Barclays, the ability, if necessary, to sell down on a syndicated basis pieces of this loan. It gives them the ability to increase the interest rate to make it attractive to buyers in the event that 3 and 1/2 percent is not sufficiently attractive; is that correct?
A. You predicated the whole concept on -- the whole question on the concept of purpose, which I think is -- you may want to rephrase it all because effectively the remain -- the remainder of your point explain -- basically covered the mechanics adequately. Purpose for who?
Q. As I understand the fee letter, Barclays has what's defined to be a successful syndication target, correct?
A. Yes.
Q. And that successful syndication target is that they hold no more than half of the $350 million?
A. That's correct.
Q. Okay. Market flex, if necessary, to allow them to reach their successful syndication target allows them to reset the interest rate on the loan within the

127:
market flex parameters that we just discussed, correct?
A. That's correct.
Q. Now, I want to run a couple hypotheticals by you. If Barclays discovers that there are no interested takers at less than 5 percent, so that the interest rate on the loan is reset to 5 percent, does the -- that portion of the loan retained by Barclays and not syndicated also reset to 5 percent?
A. Yes.
Q. And the fact that they've received a 1.25 percent commitment fee, they're, nevertheless, entitled to the market flex interest, right? In other words, the commitment fee was not -- no purpose -- there was no purpose in the commitment fee to covering their interest rate risk so that they would have to stay at 3.5 percent?
A. Their commitment fee is based on the terms of the commitment, right. So they have not -- they have not committed to hell or high water finance half of the deal at 3.5 percent.
Q. Now, the commitment fee is due regardless of whether or not this deal ever closes, right?
A. That's correct.
Q. And you've already paid them half, correct?
128:
A. Yes.
Q. Is that typical for a commitment fee to be fully

earned in the debtor-in-possession context prior to the loan being approved?

Pg: 128 Ln: 9 - Pg: 129 Ln: 20

Designation:

128: 9 Q. Is it typical with a DIP loan that the commitment fee would be fully earned prior to the court approval of the facility?

A. I don't know about fully earned.

Q. I mean, have you -- have you personally sourced DIP financing in other contexts, obviously not in Chapter 9, in which the commitment fee was fully earned prior to obtaining bankruptcy court approval for the loan?

A. I don't know about the concept of fully earned.

Q. Well, by fully earned, I mean payable -- I mean, as I understand the commitment fee provision in the fee, if the bankruptcy court decides that if the City is -- decides not to approve the DIP, as I read the fee letter, you still owe them 1.25 percent.

A. That's correct.

Q. Is that -- that's what I mean by fully earned, fully earned regardless of whether or not the court ever

129: 1 approves the transaction. So my question is is that typical in the context of debtor-in-possession financing, that the commitment fee will be fully earned prior to obtaining court approval?

A. In Chapter 11 proceedings, the debtor's ability to pay a commitment fee in my experience is limited by its need to obtain court approval. As to whether the fee is earned, I -- I don't know exactly how the parties would structure the concept of what would be earned. To the extent something can't be earned until the debtor's signature is on it and the debtor's signature can't be on it until the judge says the debtor's signature could be on it, then I think that that would be correct.

Q. All right. So --

A. But if --

Q. You would agree with me that in the typical Chapter 11 context, a condition to a lender's entitlement to payment of the commitment fee is that the court approves it?

Pg: 130 Ln: 13 - 17

Designation:

130:13 THE WITNESS: I'm trying to recall what would happen in a scenario where a commitment fee for a debtor-in-possession loan was paid pre-petition, and in that context, I think you could have something earned and paid.

Pg: 131 Ln: 9 - Pg: 133 Ln: 14

Objectors' Designations From
December 5, 2013 Deposition of James Doak

Designation:

131: BY MR. MARRIOTT:
Q. Why does the fee letter not make court approval of the transaction contemplated with Barclays a condition for payment of the commitment?
A. It's a negotiated term of the financing.
Q. Were there proposals made that did not require the commitment fee to be paid unless the court approved the transaction?
A. You must be -- you have to be more specific.
Q. Well, I guess, did -- I mean, obviously Barclays wanted you to agree to pay the commitment fee regardless of whether the transaction was ever approved, correct?
A. Yes.
Q. Was that true of all of the proposals made?
A. All of what proposals made?
Q. Let's start with the four commitments you received.
132: A. Okay. Thank you.
Q. Did all four commitments --
A. So now we're going to all of the proposals, so --
Q. Did all four commitments require the fee to be paid in the absence -- whether or not court approval for the transaction was obtained?
A. No.
Q. Which ones, in addition to Barclays', required the

commitment to be paid regardless -- the commitment fee to be paid regardless of court approval?

A. The -- I mean, which of the final four?

Q. Yes.

A. Okay. Thank you. The Goldman commitment had a fee and the Bank of America had a fee.

Q. And in addition to having those fees, did they -- did the commitment letters require that they be paid regardless of whether the transaction was ever approved by the court?

A. To the best of my recollection, they did require a payment whether or not the transaction was approved.

Q. Okay. Let's go back to market flex. Well, let me ask you this: Did -- I take it that since three of the four did and the only one you didn't name was CarVal, CarVal did not have a requirement that a fee be paid regardless of whether the transaction was approved by

133: the court?

A. CarVal would have required that the City reimburse it for expenses if the transaction was not approved.

Q. Okay. But --

A. But they did not have a commitment fee that was required immediately upon signing the commitment. However, they had other fees if the City took other directions and they took their effective commitment fee in the form of OID should their loan have proceeded ahead.

Q. Right. But you don't earn original discount -- issue discount unless you've actually closed the deal, right?

A. That's correct.

Pg: 133 Ln: 15 - 21

Designation:

Q. All right. Back to market flex. So the first question I asked you was -- before we leave the fee, the commitment fee, did the City ask Barclays to take out the requirement that the commitment fee be paid regardless of whether or not the court approved the transaction?

A. I don't recall us asking Barclays that.

Pg: 133 Ln: 22 - Pg: 137 Ln: 1

Designation:

Q. All right. Market flex. We talked about what would happen if Barclays found interest in the -- found others willing to purchase a portion of the facility but only at, for purposes of example, 5 percent, and I asked you whether that would boost Barclays1 return on its retained portion to 5 percent and you said, yes, correct?

A. That's correct.

Q. Looking, again, at section 3, it indicates that, I think, in the event that at any price Barclays is unsuccessful in achieving a successful syndication, that the interest rate on the DIP financing will go to 6.5 percent. Am I reading that correctly? I'm looking at two little i's. There's an awful lot of little I's in this, but the two little I's at the bottom of the first full paragraph of section 3.

A. I believe that's accurate, yes.

Q. Okay. Does that not concern you about whether Barclays is properly incentivized to try to sell down the loan when they can hold it for 90 days and the interest rate will jump to 6.5 percent?

A. This form of market flex provision is common and this particular concept with regards to pricing and holding a portion is one that's encountered in all market flex situations. We will certainly know if we're in that position that it was, true to our understanding, an absolute waste of time to go out with the concept of an uncollateralized facility and we may certainly have that concern more now that everybody was very effective in publishing what the flex provisions are. However, the City is going to have an ongoing relationship with Barclays as a lender, as many issuers do with their lenders, and Barclays has reputational concerns and sort of a pressure upon it reputationally to achieve the best for its clients consistent with all market flex situations, and so we recognize that there's some -- there's some balance there.

Q. What does the City plan to do to be sure that Barclays is acting on good faith to achieve a successful syndication?

A. Well, the provisions of the various agreements that the City has prepared with Barclays obligate the City to act in its best interest to cooperate with Barclays as much as possible to facilitate a successful syndication that will most likely involve during that syndication time frame assisting in preparation of marketing documents associated with syndication and perhaps visits to rating agencies. It is also quite typical in these situations for a syndicator to provide and an issuer to receive iterative feedback on the state of the syndication and the demand that the syndicator is receiving in its order book, and it's quite normal for the issuer to monitor closely and

136:

press as much as they can the importance of achieving the lowest cost and work the syndicator to see if anything can be done.

Q. So you say all of that's typical of an issuer. Is the City going to do all of that?

A. It is -- I don't -- we -- I think Miller Buckfire, as investment banker to the City, will assist the City to the best of our ability to do all of those things.

Q. Do you know -- know is the wrong word. Do you have a view on the likelihood that Barclays, in this market, will be able to achieve the successful syndication at 3.5 percent?
A. Yes, I have a view.
Q. What is the -- what is that view?
A. My view is that -- Barclays' ability to complete a successful syndication is relatively less likely than in the environment where the market flex was not published.
Q. Do you have a view at this point as to what the likely interest rate would be to achieve successful syndication by Barclays?
A. No.
Q. But you think the 3.5 percent is at risk for, among other reasons, because of disclosure of the fee letter?
137: 1 A. Yes.

Pg: 137 Ln: 2 - Pg: 138 Ln: 3

Designation:

137: 2 Q. Prior to its disclosure generally, was the fee letter disclosed to City Council?
A. I don't believe the fee letter was disclosed to City Council.
Q. In connection with providing information to the City

Council to assist it in its deliberation regarding the DIP financing proposal, was the substance of the market flex provision shared with them?

A. I don't believe the substance of the market flex provision was shared with them. The observation or fact that there was market flex was discussed with them.

Q. But the -- the parameters of that market flex was not shared with them; is that correct?

A. That's correct.

Q. Would you agree with me that pricing with respect to a $350 million loan is an important factor in evaluating that loan?

A. Yes.

Q. Would you agree with me that the pricing of a $350 million loan is important information with respect to attempting to determine whether there is an alternative available or appropriate in connection with the $350 million loan?

138: A. I think one can determine whether there is an alternative with the amount of information that was provided to the council.

Pg: 138 Ln: 25 - Pg: 139 Ln: 20

Designation:

138:25 Q. Well, let me ask you this. When you laid out, for

139:
purposes of comparison, the various proposals that were received, one of the line items for that purpose was interest rate, correct?
A. That's correct.
Q. So obviously interest rate is a factor in determining the attractiveness of a particular loan, correct?
A. That's correct.
Q. And on $350 million, the difference between interest at 3 and 1/2 percent and interest at 6 and 1/2 percent is a significant amount of money, is it not?
A. It is -- they're materially -- it's not the same number.
Q. And it's materially different, correct?
A. The amount of -- the amount of interest would be different, yes.
Q. Very different, correct?
A. The amount's different.
Q. Almost twice as much?
A. The amount of interest that would be paid on an annual basis is almost twice as much.

Pg: 141 Ln: 3 - 25

Designation:

141:
Q. If you were my investment banker, Mr. Doak, and I came to you with a $350 million facility and -- which had a market flex provision but I didn't disclose to you

what the market flex provision was and I said to you go out and get me a better deal, how would you be able to do that if you didn't know what the market flex provisions were?

A. I think it would be -- wait. We're the guys who got the deal or we're the guys who got to go get the deal?

Q. You're the guys that have to go out and do better than the deal I just handed you, which is for $350 million with a nominal interest of 3.5 percent but a market flex provision that I don't tell you what it is, and I say go get me a better deal. How would you be able to do that?

A. Well, I -- frankly, one would -- one would begin a process by -- by soliciting for proposals, you know, at or better or near the stated proposal.

Q. How would that -- how would you possibly know based only on nominal interest rates whether you had found a better deal or not if there was a market flex provision in there that might kick the rate up almost double, but you don't know about it?

Pg: 142 Ln: 2 - 13

Designation:

142: 2 THE WITNESS: That -- you've -- you changed the question. You're asking how we're going to go beat it and the point of the matter is you have -- we have sufficient terms to go to the market and look for a proposal that has pricing at or better or around the proposal as it stands. And then, if we find something that is better, well, then we found something that's better. If we found something that's at without flex, then we found something that's at without flex.

If we found something that is near or something that we feel is approximate to near, then we have to engage in a further dialogue.

Pg: 142 Ln: 15 - 20

Designation:

142:15 Q. You're using a very narrow definition of better here, Mr. Doak. I'm not asking you whether you would be able to go out and try to find a proposal that was better than the nominal rate. I'm asking how you would go out and know that you were finding a proposal better than what was likely to be the effective rate.

Pg: 143 Ln: 15 - Pg: 144 Ln: 1

Designation:

143:15 BY MR. MARRIOTT:

Q. How would you know -- so you're presented a proposal for $350 million with a nominal rate of 3 and 1/2 percent and a market flex the terms of which you don't know. So you don't know what the actual rate of interest on the loan will be. Under those circumstances, how would you know whether you had found something better?

A. Well, you would need to source something proximate and then bring it to the parties that do know and engage in a dialogue as to whether the competing proposal was competitive.

Pg: 145 Ln: 11 - 22

Designation:

Q. No. I'm asking you for you to know, you to know whether the proposal you have found is better than the proposal you were handed, for you to know that or for anyone to know it, that anyone, be it you or someone else, would have to know what the market flex provisions are, correct?

A. Well, someone has to know them. It doesn't have to be me. It can be -- it could be -- it could be a judge. It could be another decision maker. It could be -- it could be any -- you know, it doesn't necessarily have to be me, a party in interest, or me, the party in interest's banker.

Pg: 145 Ln: 25 - Pg: 146 Ln: 10

Objectors' Designations From December 5, 2013 Deposition of James Doak

Designation:

Q. Let's take a look at Doak 7, page 152 of 264. I'm looking at 6(h), which is -- and section 6 is representations of the City. Do you see where I am?

A. Yes.

Q. It says all legislation necessary to fulfill the terms and conditions of and carry out the transactions contemplated by this bond purchase agreement and the ST bond documents is in full force and effect. Do you see that?

A. Yes.

Q. Can the City make that representation as of today?

Pg: 146 Ln: 14

Designation:

THE WITNESS: I don't know.

Pg: 146 Ln: 16 - Pg: 148 Ln: 14

Designation:

Q. Do you have an understanding of what governmental action, either by ordinance, regulation, or legislation is necessary for the City to perform its obligations and grant its collateral under the DIP facility?

A. Yes.

Q. Okay. What's necessary for that to happen?

A. There are a six-page closing checklist full of things that need to occur for the closing of the financing. Two particular ones that I believe need to happen are,

147: one, relevant ordinances need to be put into effect in regards to how the related revenue streams are channelled into the appropriate bank accounts, and another very important thing that needs to occur before closing is an emergency loan board order authorizing the financing.

Q. Do you know the status of the deliberations of the emergency loan board?

A. I know the financing is -- has been put before the emergency loan board. I am not aware of the state of deliberations.

Q. Are you aware of a deadline by which they're required to act?

A. I believe they do have a deadline. I think it may be 60 days from when they're presented with the package.

Q. Okay. And I believe that was November 6th?

A. Yes.

Q. Okay. The relevant ordinances vectoring the revenue streams into particular accounts, are these ordinances that require action by the City Council or is this something the emergency manager is empowered to do on his own?

A. My understanding is that that is an ordinance that the emergency manager is empowered to do.

Q. Are there any -- is Barclays' requesting any ordinances or legislation with respect to the grant of a lien on the wage earning revenues?

A. I -- I don't recall whether they are requiring any additional ordinances. At this point, no one is requesting any additional legislation as in state legislation.

Q. Is the same -- is your answer the same with respect to the proposed lien on the income tax?

A. Yes.

Q. So as far as you know, other than ordinances, the ordinances regarding revenue streams and the order from the emergency loan board, no other governmental action is required in order for the City to consummate the transactions contemplated by the DIP financing?

Pg: 148 Ln: 18 - 19

Designation:

THE WITNESS: I believe that statement's accurate.

Pg: 148 Ln: 25 - Pg: 150 Ln: 18

Designation:

Q. Okay. Speaking of the bank account, as I understand

149:
it, an account will be established for the wage earning tax revenues and an account will be established for the income tax revenues into which those funds will be deposited, correct?
A. Generally correct. I believe we may use a preexisting but currently unutilized account for the gaming tax revenues.
Q. Okay. But there will be dedicated segregated accounts for each revenue stream?
A. Yes. There will be the necessary cash flow provisions and accounts as required under the loan documents.
Q. Okay. And my understanding is, from the loan documents, that Barclays is -- has asked for control agreements over -- with respect to both those accounts; is that correct?
A. I don't know. I -- it would not surprise me.
Q. Okay. And do you know why they would be asking for control of that?
A. Presumably to allow them to pursue their remedies as provided by the documentation of the financing should it ever come to that.
Q. Do the swap counterparties have control agreements in respect to the accounts in which the wage earning revenues are currently being deposited?
A. I don't know.

150:
Q. Now, my understanding is that these loans mature, among other -- among other reasons, they mature upon

effective date of any plan of adjustment; is that correct?

A. Yes.

Q. How do you -- how does the City plan on refinancing the DIP financing at that time?

A. The City has not yet made a determination as to how it will refinance or retire the post-petition facility.

Q. It has an agreement with Barclays, though, doesn't it, regarding sourcing to exit financing?

A. Yes, it does.

Q. And it will owe Barclays a fee if it determines to refinance the DIP financing at exit, other than via Barclays; is that correct?

A. I believe that's an accurate interpretation of a -- the engagement letter.

Q. Okay.

Pg: 150 Ln: 22 - Pg: 152 Ln: 6

Designation:

BY MR. MARRIOTT:

Q. Okay. Mr. Doak, what's been marked as Doak 13 is the Barclays' engagement letter for exit financing.

A. Was there a question?

Q. I just asked am I correct that this exhibit is the agreement between the City and Barclays for exit financing.

A. I believe it is.

Q. Okay. And so you don't have to guess, if you would confirm that a fee is owed to Barclays under this agreement if the City pursues an exit financing strategy that does not include Barclays. If it's any help, look at page 6, subsection 6(c).

A. Yes, but I think you -- why don't you rephrase the question.

Q. Do I correctly interpret 6(c) to entitle Barclays to a fee in the event that the City pursues Ernst & Young on a basis outside of this agreement with Barclays?

A. No. You have to -- you're using the wrong word.

Q. Help me out.

A. You're using pursuing when you should be using closing.

Q. But with the substitute of closing for pursuing, am I accurately understanding what this provision says?

A. If the City closes on an alternative financing, then, at that time, Barclays would be owed a fee equal to 3/4 of a percent of the aggregate outstanding amount of its facility immediately prior to the exit time, which will be made and paid from the proceeds of the

152: alternative financing. So the alternative financing has to close and fund.

Q. And there is no principal amortization of the DIP facility with Barclays, is there?

A. There is no scheduled amortization of the Barclays' facility in advance of maturity.

Pg: 152 Ln: 7 - Pg: 154 Ln: 8

Designation:

Q. Okay. Now, you indicated in answer to my earlier question that the City does not know what it wants to do regarding alternative -- or exit financing or refinancing of the DIP facility. Why would the City commit itself to Barclays in this fashion? What was the thinking?

A. The -- among other reasons, the City felt that the opportunity to continue its relationship with Barclays beyond the lender/borrower relationship and focus on whatever was next in addition to or having the Barclays at hand to discuss concepts such as the DWSD transaction made incorporating this letter into the overall decision at the moment a prudent one.

Q. Did Barclays make the City's entry into this engagement letter for exit financing a condition of committing to the DIP facility?

A. It was part of their overall proposal.

Q. Does that mean it was a condition?

A. I do not believe they would have an executed a commitment letter unless we were in a position to execute the engagement letter.

Q. The City Council declined to approve the proposed DIP

financing, correct?
A. That's correct.
Q. Give your understanding of the reason behind their refusal to approve it.
A. The council published a resolution with regards to their decision to not approve the financing, which would be the -- the best summarization, I guess, we could refer to. Absent that, we would be speculating as to their mindset.
Q. Other than that resolution, did the City -- City Council have any discussions with the emergency manager or any of his professionals regarding their reasons?
A. I don't know.
Q. Okay. No discussions were had with you; is that correct? Nobody from City Council picked up the phone and called you?
A. Yeah, no one from City Council picked up the phone and called me.
Q. And I just want to go back and briefly cover what communication was had with City Council leading up to the DIP facility. And as I understand it, there were
154: two packages delivered to them, the one -- the October 7th, and the other, the October 17th, correct? Those are Doak --
A. There were two materials prepared by Miller Buckfire.
Q. Right. That's my question. Were any others prepared

by Miller Buckfire?
A. No.
Q. Are you aware of any?

Pg: 154 Ln: 12

Designation:

154:12 THE WITNESS: Yes.

Pg: 154 Ln: 13 - 22

Designation:

154:13 BY MR. MARRIOTT:
Q. Okay. What?
A. Well, there was a package that was formally delivered by the emergency manager's office to the City Council saying here's the financing that we -- you know, that we approved. Please begin your deliberation process under 436.
Q. Okay. You indicated that you had met with all six individual City Council members to discuss the loan or the potential loan with them, correct?

Pg: 155 Ln: 2 - Pg: 156 Ln: 5

Designation:

155: 2 THE WITNESS: There were two Miller

Buckfire presentations. There was the package that was delivered to council to have them begin their deliberation process, and council and council's staff --

BY MR. MARRIOTT:

Q. If I could just ask you, when you say there was a package delivered to them to begin the deliberation process, was that Doak 3 or Doak 4 you're referring to?

A. That's Doak none of the above. That's the official package.

Q. Oh, this is the one from the emergency manager?

A. Right, yes.

Q. Okay.

A. And there was also a -- an electronic document that was provided by Jones Day to council where some of the elements of that document were pro -- were -- Miller Buckfire contributed to elements of that document.

Q. There was a document provided by Jones Day to City Council, which included input by Miller Buckfire?

A. That's correct.

Q. This is separate from the emergency manager's package; is that right?

156: A. That's correct.

Q. Okay. Do you know about when that package was provided to City Council?

A. That document would have gone to City Council on

October 20th or 21st.

Pg: 156 Ln: 11 - Pg: 157 Ln: 22

Designation:

BY MR. MARRIOTT:
Q. If you could look at Doak 4 for a moment. My understanding is that this document was provided to City Council before the City had selected Barclays as the provider of DIP financing, correct?
A. Don't mean to be cagey, but you've got to be very specific about -- I think by the time we were going -- by the time I was going individually --
Q. Yes?
A. -- to members of City Council, we pretty much knew who we were going to choose, okay, and we were going through the process.
As you can see from the dates, you've got a date of the 6th and a date of the 7th, but we still had to go through the process of -- of covering off with various sort of decision makers to make the commitment letter effective, which included the payment of the commitment fee.
Q. Okay. But Doak 4 is the package that was used by you in connection with your individual meetings with members of the City Council?
A. Yes.

Q. Okay. And did any of them react to the terms of the proposed financing in those one-on-one meetings with you?
A. Yes.
Q. Can you characterize those reactions?
A. There are six individual members of the City Council and they -- they're all, to the best of my understanding or to the best of my understanding at the time, they were all very hospitable and deliberative and genteel in regards to listening to the materials that we presented. They all -- each has their own particular mindset in regards to everything from the emergency manager and the bankruptcy to the ethical and moral character of about everybody in this room except for Jerry.

Pg: 158 Ln: 2 - 17

Designation:

158: BY MR. MARRIOTT:
Q. Let me ask you this question. When City Council ultimately rejected the Barclays' DIP financing proposal, were you surprised?
A. I was -- I was disappointed but not surprised because I knew that that would be a very real possibility given the overall environment.
Q. And was that expectation reinforced by your meetings

with the individual City Council members?
A. What expectation?
Q. You indicated that you were disappointed but I think not surprised by the actions City Council took. I guess what I'm asking you is whether your lack of surprise resulted from the meetings you had with them or whether you suspected even before those meetings that the City Council would not approve a loan.

Pg: 158 Ln: 20 - Pg: 161 Ln: 18

Designation:

158:20 THE WITNESS: There's a lot of embedded questions in there. I mean, the meeting -- as I said, meetings were very hospitable. In my opinion, people listened and understood the underlying logic. There's a -- a fair amount of -- of concern at the council level and at the individual council member's level in
159: 1 regards to this transaction and as well as the precedent transactions that beget this one, and many of their concerns were, I think, accurately reflected in the elements of the ordinance that they passed.
BY MR. MARRIOTT:
Q. You mean the resolution that they passed?
A. Sorry. The resolution that they passed, yes.
Q. Doak 3, the October 17th submission, my understanding is this -- these briefing materials were prepared for

the meeting at which the City Council decided on its position with respect to the Barclays' financing; is that right?

A. No. These materials were prepared for a briefing of City Council in closed session in regards to the financing.

Q. Okay.

A. I don't know if they wanted to make the decision at that point. I don't know if they made the decision at that point. We were not present for the entire session, and that's all I know.

Q. Okay. So you made a presentation in this closed session, then you exited and the next thing you knew, when the ordinance -- or when the resolution was passed?

A. Well, their -- Jones Day provided, as I said, a

160:

follow-up piece of material.

Q. So the Jones Day material was after Doak 3?

A. That's right.

Q. Did you have any contact with City Council or its members after the October 17th closed session?

A. Yes.

Q. Okay. And what was the nature of that content?

A. I presume you mean with regards to deliberation on the financing --

Q. I do.

A. -- because I still see them.

Q. I do, with respect to the DIP financing.
A. Yeah. With regards to the DIP financing, I had a conversation with Erv Corley, who is a financial analyst or has, you know, financial analytical responsibilities as part of the staff of council.
Q. How long after the October 17th closed session did you have that conversation?
A. That conversation was on the 25th.
Q. And what was the substance of that conversation?
A. That conversation was in regards to a -- a document that was provided to council by Syncora and Syncora's investment banker.
Q. Was -- I'm sorry. Erv Crowley did you say?
A. Corley.

161:

Q. Corley?
A. C-o-r-l-e-y.
Q. Was he describing to you the substance of what had been submitted to City Council by Syncora or merely telling you that they provided something?
A. I -- the document had already been forwarded to me via Erv and perhaps via Sonya Maze, senior advisor to the senior manager.
Q. And did Mr. Corley ask you to take any action with respect to the Syncora materials?
A. No.
Q. After that conversation with respect to the DIP financing, did you have discussions with City Council

or any of its members or any of its advisors prior to the resolution rejecting the Barclays' financing?
A. No.
Q. So that was the last one?
A. Yes.

Pg: 162 Ln: 12 - Pg: 166 Ln: 12

Designation:

162:12 Q. Mr. Doak, good afternoon.
A. Good afternoon.
Q. My name is Steve Hackney. I represent Syncora in the City of Detroit's bankruptcy case. Could you take a look at Doak Exhibit 5 for me, at the second page of that exhibit? Do you have that in front of you, sir?
A. Yes, I do.
Q. Before I ask you questions about this exhibit, let me ask you a preparatory question, which is do you understand that it's common in the course of retaining a financing proposal that the prospective lenders want to do what's called due diligence with respect to the borrower?
A. Yes.
163: 1 Q. And the process of due diligence involves the process of obtaining information about the borrower, correct?
A. That's correct.
Q. And in connection with the post-petition financing,

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the prospective lenders also were given access to due diligence materials; isn't that correct?

A. That is correct.

Q. I'm going to ask you some questions that are aimed at understanding what due diligence materials they were given access to. Do you see on the second page of Exhibit 5 that in the table there, there is a column that says data room at the top of the column and some of the prospective lenders have checkmarks next to their name and some don't and some have not applicable?

A. Yes.

Q. Is that data room the same data room that has been made available to the creditors in this case?

A. Yes.

Q. Do you know whether additional due diligence information was given to prospective lenders above and beyond the data room that's been made available to the creditors?

A. There is -- there is not a second data room or a portion of the data room that is accessed only by the prospective lenders.

Q. Okay. That's a fair answer to the question. I guess I want to close you out, though, and say was there any additional information that was provided to prospective lenders that -- as part of due diligence, that has not been provided to the creditors in these cases?

A. Yes.

Q. What type of information was that?

A. We had -- we had, you know, ongoing dialogues with regards to the structure and strategy of the post-petition financing itself that we wouldn't necessarily have or necessarily replicate with the -- with the creditors.

Q. And when you say ongoing dialogue with respect to the post-petition financing itself, do you mean analytical relating to the post-petition financing or are you referring to the negotiations of the terms of the post petition?

A. Well, more the negotiations of the terms and how we came up with the overall structure. I mean, they were -- they were -- they were asking questions about, you know, how the -- what they could get in the financing and what they couldn't get in the financing and how we would feel about certain provisions of the

165:

financing.

Q. Okay.

A. I think if we -- I think -- I think, to some extent, some of those topics, you know, there's no intent to not have those discussions with the creditors. It's just these were lenders asking questions about extending credit, so they had all sorts of ranges of questions.

Q. I think I understand that question [sic]. So, for example, are you saying that it's possible Mr. Buckfire may have said something to a prospective lender that constituted information about the borrower that that specific statement by Mr. Buckfire may not have been made available to creditors; is that an example of what we're talking about?

A. That would be an example. However, it would be unlikely that Mr. Buckfire would have been in that position.

Q. Let me try to cut to what I'm trying to ask about, which is I'm trying to ask about what I think any industry professional would consider to be due diligence materials, and I'd like to focus my question on written materials. So were additional written due diligence materials provided to prospective lenders that have not been provided to the creditors in these

166: cases?

A. No. No. To the extent we were going to provide anything to a -- a potential provider of financing, it was pretty clear that we were going to end up putting in into the data room so all the creditors could see it at the same time, amongst other reasons, because so many of the creditors were thinking about the financing, right? And then we were able to answer most of the questions, if not all the questions, that potential financing providers had based on the,

you know, copious and ever growing amount of materials
that are in the data room that the creditors have.

Pg: 166 Ln: 14 - Pg: 167 Ln: 2

Designation:

Do you remember that you testified earlier
that Mr. Marken, Sanjay Marken did certain cash flow
modeling that was at least preliminary independent of
the cash flow modeling that was done by Ernst & Young;
do you remember that subject matter of your testimony?
A. Yes.
Q. Do you know if his cash flow modeling has been
produced as part of the DIP objection process?
A. I don't know.
MR. HACKNEY: Okay. And that's something I
would say I think is fairly within what we expected
would be produced. Whether you agree with that or
not, please consider this a request for that
production.

Pg: 168 Ln: 3 - Pg: 170 Ln: 4

Designation:

Q. You and Mr. Marriott had a colloquy about the impact
of the DIP loan on creditor recoveries. Do you recall
that line of questioning?

A. Yes.

Q. At one point in that line of questioning, you said something to the effect of -- and I may not get this verbatim, so listen to the spirit of the words and see if it refreshes your recollection about your testimony. You said something like I haven't seen a side-by-side comparison. Do you remember that testimony?

A. I think so.

Q. I think, if I recall, he was asking you about the impact on creditor recoveries with the DIP loan versus creditor recoveries without the DIP loan, and we had a relatively lengthy colloquy on that, but at the beginning, I thought you said that you had not seen a side-by-side comparison?

A. Right.

Q. What did you mean by that?

A. We don't -- the City does not have a set of projections that contemplates not spending the -- on the operational revitalization initiatives, and one of 169: the outputs of those -- of that -- of the current provision, as well as any other projection, would be -- would be that line of, okay, what are the residual cash flows in this particular proposal. And so my comment was one -- was lengthy to the effect that we have a substantially worse-off City, right, with more risk of further decline, and as a result,

less available value for creditor recovery as far as the organic cash flows of the City, but, you know, that countercase of a show-me status quo continued municipal service insolvency for another, you know, X period, what does that do. You know, we haven't -- I haven't seen that case run.
Q. And to your knowledge, it has not been run by any of the professionals to the City, correct?
A. That's correct.
Q. I think this follows from what you said, but I want to confirm it, which is the -- the ten-year forecasts that have been run, for example, ten-year forecasts that were included in the proposal for creditors are ones that assumed the reinvestment and restructuring initiatives would be undertaken and have their attendant positive effect on the City, correct?
A. That's correct.
Q. What has not been run is a ten-year forecast that does
170: not assume the restructuring and reinvestment initiatives in order to see what that world looks like to your knowledge?
A. To my knowledge.

Pg: 170 Ln: 9 - Pg: 171 Ln: 20

Designation:

170: In the -- I will find it if you like, but I saw a note in the comparison chart that was comparing the different proposals, that Barclays was also amenable to doing a swap replacement. Let me know if you'd like to check that. I could be wrong. Take a look at Doak Exhibit 5 at Bates stamp 2221.

A. Yep. Yes.

Q. It's in the middle, down at the bottom.

A. Uh-huh.

Q. Do you see that?

A. Yes.

Q. So, Mr. Doak, my first question is did they propose this additional replacement swap transaction during this time frame of sourcing the debt? Not did they propose a transaction. Did they propose the idea that that could be an alternative during this process?

A. Yes. That was part of their -- their submission on September 16th.

Q. So it was here's the $350 million post-petition financing and an alternative idea was a swap replacement plus a smaller note or what did it look like?

A. I think I'd have to -- I'd have to go to it to see exactly what -- you know, how they phrased it.

Q. Okay. That's fine. Do you remember off the top of your head -- obviously, the swap replacement addresses issues that relate to the swap. It may not relate -- it doesn't address the other issues that are part of

the financing related to the quality of life note. Do you remember off the top of your head whether they proposed to do the quality of life no matter what and the swap termination note and the swap replacement were interchangeable to each other?
A. I -- I -- I don't recall a -- I don't recall. I believe they were prepared to structure a replacement swap and then additional, you know, proceeds from a loan if required.

Pg: 172 Ln: 5 - 24

Designation:

172: Q. Let me ask a similar way. Did you ever learn that Barclays had previously, back in history before the cases were filed, proposed a replacement swap to the City of Detroit?
A. Yes. They had presented transaction concepts to the City prefiling where the -- a replacement swap was one component of a series of transactions.
Q. Do you remember the proximity of that presentation to the filing date?
A. Now, here, the -- I've seen -- I've seen a -- I've seen presentations that they developed, but I don't have full knowledge of who they presented them to and when they presented them exactly. I know that they presented materials to the treasurer of the state and

I know they've presented materials to, you know, certain Jones Day attorneys.

Q. And I agree. It's -- since you weren't there, you can't personally know when it actually happened. Can you tell me your understanding of when it happened?

A. Late 2012 and early 2013.

Pg: 173 Ln: 14 - 24

Designation:

173:14 Q. Okay. Irrespective of who the idea was proposed to, I'm talking about a proposal relating to the swaps in this case being replaced. And by a proposal, I mean something that had enough numbers in it that you could actually theoretically compare it to the existing swap and decide whether it was something that you wanted to advance, because we know that it didn't, obviously akin to the Barclays' proposal we were just discussing.

A. I've seen -- I'm not aware of any other institution that produced materials like what I saw from Barclays.

Pg: 174 Ln: 17 - Pg: 175 Ln: 22

Designation:

174:17 Q. Which is, to the extent your testimony is characterized by lawyers or judges as opinion testimony, can I find your opinions in your declaration?

A. You can -- yeah, I think. I mean, I may be asked -- other people may ask me other things, right?

Q. Well --

A. But these guys probably can't, right? But you guys can, right?

175:

Q. And I want to follow up a little bit. Isn't it true that Miller Buckfire has not been tasked with undertaking the operational restructuring of the City?

A. That is true. We have not been tasked with that task.

Q. And you haven't, correct? You haven't endeavored to restructure the operations of the City, correct?

A. We -- we're providing general restructuring advice to the City, but that -- and some of that advice relates to aspects of the operation but we are not operational restructuring experts. That's not our profession.

Q. You're not telling the City how it should restructure its operations when you advise them, correct? That's what Conway McKenzie is doing.

A. That's correct.

Q. Okay.

A. We may inform the City in regards to how particular creditors perceive the -- the issues surrounding operational restructuring and assist in communications with them, because that's our area of expertise, but insofar as providing, you know, primary operational restructuring advice and execution, that's not our mandate.

Pg: 177 Ln: 8 - Pg: 178 Ln: 10

Designation:

177: 8 Q. You know, what I'm getting at is there's a distinction working on the Detroit case and being aware of the problems of Detroit and the fact that there are challenges, and so on and so forth, and the idea about how you might fix them. There's also the idea of being the person who has been tasked with understanding those problems and specifically coming up with remedies for those problems in order to fix them, and I'm trying to confirm that your job duties have not involved what I just described because that's Conway McKenzie's job.
A. I understand what you're saying. I would -- I would only suggest that, you know, sometimes in their responsibilities, investment bankers are tasked with, required to, and capable of making statements and judgments in regards to companies' business plans, while they're not the individuals that are necessarily the ones that are executing the business plans or have
178: 1 executed -- or are designing the operational initiatives on the ground.
Q. And have you done that here?

A. Not at -- well, I think your question is in regards to what am I about to testify to.

Q. No, I'm asking about what you have done. Have you checked the work of Conway McKenzie to determine whether you independently agree with it?

A. We -- we are not engaged in that -- I have not engaged in that activity.

Pg: 178 Ln: 12 - Pg: 179 Ln: 11

Designation:

178:12 Can I ask you to take a look at Doak Exhibit 6. Mr. Doak -- sorry. We'll come back to that in a second just given the time.

A. Okay.

Q. You were asked a number of questions with respect to information that was submitted to the City Council by Mr. Marriott. Do you recall that testimony?

A. Yes.

Q. Do you agree that the City -- you are aware that the City sought to keep the Barclays' fee level confidential and under seal; isn't that correct?

A. Yes.

Q. And the reason the City sought to do that was because the -- was because Barclays wanted it to, correct?

179: 1 A. That's one of the reasons.

Q. Okay. In addition, it's your understanding that the reason Barclays wanted its fee level kept confidential was because it contains commercially sensitive information, correct?

A. That's the argument that I heard them make.

Q. Right. And the commercially sensitive information that's in the fee letter as you understand it relates both to the amount of the market flex and also the amount of fees that are contained in the fee letter, correct?

Pg: 179 Ln: 17 - Pg: 181 Ln: 11

Designation:

179:17 THE WITNESS: It is my understanding that what they thought is what they argued and they argued that both the commitment fee amount and also the particulars of the market flex terminology and other language were commercially sensitive.

BY MR. HACKNEY:

Q. And as an investment banker who's an experienced individual in the field, do you agree with the view Barclays expressed that those two types of information

180: 1 are, in fact, commercially sensitive?

A. I believe they can be, yes.

Q. And did you believe that they were in this case?

A. I believe that it would be helpful to the overall pricing for the City if the document remained under seal and the commitment fee and the market flex provisions were not filed publicly. There was already some chatter about the commitment fee size, and in the end of the day, it probably would have been challenging, considering the various reporting requirements under the emergency manager law to cloak the actual commitment fee payments.

So it would have been helpful. But of the two terms, I viewed the market flex as more commercially sensitive. I viewed the sealing generally of the fee letter as being also commercially sensitive, because sometimes what's as important as, like, what is in the market flex is what's not there, right, when a syndicator is stepping up to the market and trying to do whatever it's trying to do.

Q. Do you agree that two of the most important aspects of any potential financing are the fees that are involved and the interest rate?

A. Those are -- those are two very important aspects of evaluating the economics of the financing.

181:

Q. And I don't know. Just to streamline it, do you recall there was some testimony at the motion to seal hearing about how different lenders have different strategies and may put more into the interest rate versus more into the fee?

A. Sure.

Q. And so that's part of what you're evaluating when

you're looking at the economics of the different
proposals that are made, correct?
A. That is correct. Those are important economic
elements when comparing proposals.

Pg: 182 Ln: 4 - Pg: 183 Ln: 3

Designation:

182: Q. Do you understand that it is -- when it comes to
sourcing financing, it is customary for investment
bankers such as yourself to provide confidentiality
agreements that allow the prospective lenders to know
that certain aspects of their offers won't be shared
with others?
A. That's normally an element and an expectation --
that's normally an element of -- of letters and it's
frequently an expectation of individuals who are
proposing financing and it's important when it can be
achieved in the context of the individuals firms
soliciting financing so as to achieve the best overall
results.
Q. Right. Because you're trying to get the best deal for
your client. As the person that's sourcing the loan,
you think about what the prospective lenders might
want as you structure the process, right?
A. That's correct.
Q. And you know one of the things that they want is they

don't want their specific economic terms shared with
the other prospective lenders, correct?
A. Yes. At various states in the -- yeah, at most stages
in the process, everybody wants their bid to remain --
everybody wants their bid to remain competitive --
confidential.

Pg: 183 Ln: 10 - Pg: 184 Ln: 8

Designation:

183:10 BY MR. ASHLEY:
Q. Good evening, Mr. Doak. My name is Marc Ashley from
Chadbourne & Parke. We represent Assured Guarantee
Municipal Corp. in these proceedings. I'm hoping to
address some fairly circumscribed areas and to get
through it fairly quickly.
Are you familiar with the City's unlimited
tax general obligation bonds?
A. Yes.
Q. If I refer to them in shorthand as the unlimited tax
bonds, would that be okay?
A. Sure.
Q. Okay. Are you also familiar with the ad velorum taxes
that the City levied to repay those unlimited tax
bonds?
A. Yes.
184: 1 Q. Those ad velorum taxes are not part of the collateral

pool for the proposed DIP financing, are they?
A. They are -- no, they're not part of the collateral provisions in the post-petition financing.
Q. Okay. Are you aware of any discussions with Barclays about those ad velorum taxes being included within the collateral for the financing?
A. I'm not aware of any dialogue on that front.

Pg: 184 Ln: 9 - Pg: 185 Ln: 2

Designation:

184: 9
Q. The -- this may have been touched on previously, but one of the terms of the proposed financing is that the DIP loans, those bonds will have super priority claim status with respect to all pre-petition unsecured claims; is that correct?
A. I believe that's accurate.
Q. Did Barclays ever specifically request super priority claim status with respect to the ad velorum taxes that relate to the unlimited tax bonds?
A. I cannot recall them doing that in a -- with -- I can't recall them ever doing that.
Q. Okay. Do you recall that ever coming up in discussion with them?
A. I can't recall that coming up in a discussion.
Q. In your view, could the City have secured the proposed financing if those ad velorum taxes were excluded --

or, I'm sorry -- if the unlimited tax bondholder claims were excluded from the super priority claim status provision?

Pg: 185 Ln: 6 - 10

Designation:

THE WITNESS: I don't have a view on that.

BY MR. ASHLEY:

Q. Do you have a view as to whether Barclays would have provided the proposed financing if that exclusion were part of the supper priority provision?

Pg: 185 Ln: 13 - 14

Designation:

THE WITNESS: No, I don't have a view on that.

Pg: 185 Ln: 15 - Pg: 186 Ln: 14

Designation:

BY MR. ASHLEY:

Q. We also touched on earlier in your testimony the issue of exit financing. What are generally the City's expectations about securing exit financing?

A. At this point, the City's forecast is -- has a very conservative assumption that the financing is retired at the default terms with the higher interest rate and the default provisions in regards to amortization. The -- I think there is a -- I would believe there will be an opportunity to achieve substantially better terms for the City in regards to a lower interest rate

186: and/or extended amortization but that will depend on the City's overall capitalization post restructuring.

Q. So in your view, what impact does the proposed DIP financing have on the City's prospects to secure exit financing?

A. In -- amongst other impacts, it does -- it does potentially have some positive impacts on the City's ability to obtain financing upon emergence, including maintaining access in the capital markets and also maintaining a position in front of the rating agencies on a -- sort of on a pro forma basis. The opportunity to refinance under Home Rule Act 36(a) has been out there to finance on a secured basis. I would -- I think that's some of the point of interest.

Pg: 186 Ln: 17 - Pg: 188 Ln: 5

Designation:

186: BY MS. MONTESANO:

Q. Hi. My name is Leah Montesano. I represent Ambac Corporation, and I as well think that I have just a few discrete questions and I will probably be able to go fairly quickly.

Mr. Doak, if the post-petition financing is approved, is my understanding correct that the City will receive the proceeds as a part of one-lump sum?

A. Yes, that's correct.

187: Q. Both the swap termination aspect will be one-lump sum and the quality of life portion will be one-lump sum, right?

A. That's correct.

Q. Okay. And the swap portion of the loan will then shortly be -- thereafter be paid as part of the swap termination fee; is that --

A. Well, pretty much instantaneously or else we, you know, have an issue kind of. That's --

Q. Okay. What is your understanding of what will happen to the remainder of those funds, the aspect that is the quality of life note, what will happen to that lump sum?

A. That will be deposited in the City's general fund.

Q. And do you have an understanding of how the City plans to use those proceeds?

A. Yes.

Q. And what is that understanding?

A. My understanding of how the City will, in effect, use its -- I have an understanding in regards to how the City will use its liquidity and cash that's in the general fund, and my understanding is that it will use it consistent with the DIP cash flow forecast and the schedules provided by Conway McKenzie to the City and the other advisors in regards to particular

188: operational initiatives and revitalization initiatives.

Q. So as part of the general funds, is it fair to say that those quality of life proceeds are not earmarked for any particular purpose?

Pg: 188 Ln: 8 - 12

Designation:

188: THE WITNESS: They will -- the proceeds will not be placed, to the best of my knowledge, in a segregated account and the spending that will occur, as I understand it, is not going to be from a segregated account.

Pg: 188 Ln: 13 - 20

Designation:

188: BY MS. MONTESANO:

Q. Okay. I'd like to direct your attention to Exhibit 2, which is the indicative term sheet that was -- that was sent to potential lenders.

A. Okay.

Q. The third page, 16684. At the very bottom, you talk about the quality of life loan.
A. Yep. Yes.

Pg: 189 Ln: 6 - 10

Designation:

Q. Do you know who came up with the term quality of life?
A. Yes.
Q. Who is that?
A. The -- that terminology came from an attorney at Jones Day.

Pg: 190 Ln: 20 - Pg: 192 Ln: 22

Designation:

Q. When you were working with the City to develop this indicative term sheet, did you discuss what use for the quality of life loans would be permissible?
A. Yes.
Q. And what was the nature of those discussions?
A. Those discussions incorporated discussions about the Conway McKenzie operating initiatives and incorporated conversations about provisions of the Michigan Gaming Revenue Control Act.
Q. Okay. And for the Conway McKenzie operating initiatives, what initiative in particular are you

referring to?

A. I'm referring to the initiatives that are described in various forms in the DIP cash flow forecast, as well as additional schedules that -- that Conway McKenzie provided that outlined some of the initiatives by -- by spending amount, and in some cases, individual expenditures.

Q. Is it your understanding that the funds obtained through the quality of life loan will go to the general fund and then not be put to immediate use?

A. It's my understanding that the funds will go to the general fund, and the City will begin to deploy the capital, you know, as projected as has to be revised given the fact that this is now December, in the various schedules that have been prepared by Conway McKenzie, and to the extent that -- you know, that -- well, I mean, that and -- but to the extent that other opportunities present themselves, the -- the funds are in the general fund.

Q. Did you consider structuring the transaction rather

192:

than a payment as a lump sum as -- instead of as a line of credit?

A. Yes.

Q. And why did you opt not to structure the quality of life portion as a line of credit?

A. The proposal -- the -- the City could only consider the proposals that it received. It is frequently challenging to receive a line of credit from commercial lenders giving the economics of extending lines of credit and commitment capital. In addition, the City was mindful that any decision to defer or delay proceeds from a financing process meant making a balancing decision between the negative carry of having the cash on the balance sheet and the risk both that the City could be in default of other sort of conditions precedent to further draws, as well as funding risk from a would-be financing party and their -- I'm sorry -- credit risk from a would-be financing party and further had to add to that balancing decision the positive impact and assurance that the City would have in knowing that the funds were in the general fund.

Pg: 193 Ln: 1 - Pg: 194 Ln: 2

Designation:

193: BY MS. MONTESANO:

Q. Exhibit 13 [sic] is a November 4th, 2013, presentation. It appears to be from Miller Buckfire briefing material from the Financial Advisory Board. Are you familiar with this document?

A. Yes.

Q. And I'd like to direct your attention to the third slide, which is Bates labeled 1962. This slide, I'll

represent to you, is actually the same slide that is part of Exhibit 3 if you wanted to compare.
A. Yes.
Q. And you can see the first bullet point, the fourth dash down, reads as the court approval process for the forbearance agreement has been delayed, the City and the swap counterparties have agreed to push back the deadline dates associated with the discounted payoff, and then there's a footnote there. Terms herein are currently under discussion with the swap counterparties.
Are you involved in those discussions with the swap counterparties?
A. I am involved. I am not the primary banker involved.
Q. Who is the primary banker involved?
A. Mr. Buckfire.
Q. Do you know the current status of those negotiations?
194: 1 A. Yes.
Q. And what is it?

Pg: 194 Ln: 15 - 19

Designation:

194:15 THE WITNESS: Okay. You know, it's my understanding that the -- and as you know from the data room, the first five amendments to the forbearance agreement have been executed and that the sixth has not. So the --

Pg: 195 Ln: 1 - 6

Designation:

BY MS. GREEN:
Q. Mr. Doak, I'm Jennifer Green on behalf of the Retirement System for the City of Detroit. Following up with a question that was just asked of you regarding the term quality of life, which attorney came up with that term?

Pg: 195 Ln: 14 - 20

Designation:

THE WITNESS: Chris Bennett.
BY MS. GREEN:
Q. Did you have email correspondence relating to this term with Mr. Bennett?
A. What -- I mean, I have emails in regards to post-petition financing and the loan is labeled the quality of life loan.

Pg: 196 Ln: 10 - 13

Designation:

BY MS. GREEN:

Q. Let me ask it this way: When was that term -- quality of life, when was that term originated?
A. Sometime in mid-to-late August.

Pg: 196 Ln: 14 - Pg: 197 Ln: 12

Designation:

196:14 Q. You were asked a few moments ago about working on developing the term sheet and you mentioned the Michigan Gaming Control Act.
A. That's correct.
Q. At what point in time did you become aware of the Michigan Gaming Revenue Control Act?
A. To the best of my recollection, probably sometime in early summer.
Q. Early summer meaning pre -- do you consider that prepetition, so we're talking, like, June?
A. I consider that to be prepetition.
Q. And who made you aware of this act?
197: 1 A. I don't recall.
Q. Do you know what context this act came up in?
A. The act came up in context of dialogue with the swap counterparties.
Q. Do you recall if it was in relation to the negotiations in early June surrounding the forbearance agreement?
A. It would be around that time.

Q. And I understand that you helped develop the terms for the DIP financing. Why was it that the swap note did not have casino revenue as a source of collateral; why was it structured that way?

Pg: 197 Ln: 14 - Pg: 198 Ln: 12

Designation:

197:14 THE WITNESS: As with many provisions in the indicative term sheet, we -- the term sheet, I recall thinking that the term sheet should be constructed to avoid, if wherever possible, as much controversy as possible.

BY MS. GREEN:

Q. And why did you think that it was less controversial to attach the casino revenue to only the quality of life note?

A. My belief at the time was that the argumentation that we'd heard people represent around the swaps and their collateral interest and the validity of the interests

198: 1 of the swaps' collateral interest in the gaming -- gaming revenues was out in the market and part of how potential investors would quickly sort of due diligence themselves about what is -- what is controversial and what is not controversial. So given that that was part of the public -- publicly reported controversy associated with the -- the swaps and their collateral, it was my thinking that the best way to steer clear of further controversy was to have the swap termination loan more focused on the -- a form of the City's revenues that were not the gaming tax revenues, and that's what we did.

Pg: 198 Ln: 23 - Pg: 201 Ln: 24

Designation:

198:23 Q. Well, do you recall any particular lender off the top of your head that had a concern about the casino revenue being used as a source of the collateral?

199: 1 A. Yes.

Q. And who was that?

A. The ones that particularly come to mind was a joint proposal from Ambac, Assured, and NBIA.

Q. Was this also a concern that was raised by any of the City Council members in your one-on-one conversations with them regarding the DIP financing in general?

A. Several council members expressed, you know, ongoing both historical and present concerns with regards to the validity of the entirety of the cops and swaps transaction including the collateral arrangement. Others signed the document as they were mayor at the time.

Q. I just asked you about the City Council members.

You also mentioned that you had a

one-on-one meeting with a staff member from City Council. Is that Erv Corley?

A. I had a one-on-one -- yes, I did.

Q. Were there any other staff members that you had conversations with relating to the DIP financing?

A. Yes.

Q. And who are they?

A. Marcel Hurt joined the meeting that I had with council member -- with council chair, with the council president.

200: 1 Q. Is he the only one?

A. He was the only one along with the council president.

Q. Do you know an Ann Langan?

A. I recall the name.

Q. Did you have a one-on-one meeting with her relating to the DIP financing or the swap transaction?

A. I -- no, I don't believe I did.

Q. Do you recall the name because maybe her name came up in your conversation with Erv Corley?

A. No, I recall the name because she is in an email correspondence between her and Todd Snyder of Rothschild in the Syncora objection and I -- I believe, but I can't specifically recall, that she was most likely a member of the staff that was in the room when we had the closed-council session.

Q. Do you know if any other members of Miller Buckfire met with Ms. Langan before the City Council meeting,

if you know?
A. I don't -- I don't know.
Q. When you met with Erv Corley, did you discuss the casino revenue pledge specifically with him?
A. Yes.
Q. And what was the substance of that conversation?
A. The conversation used the briefing document that's marked as one of the -- the exhibits here, Doak 4, and the dialogue was both about the structure of the financing, the post-petition financing, as well as the history of the cops and swaps transactions.
Q. Did he have any questions about the fee letter or the market flex provision during your meeting?
A. No.
Q. You were asked extensively about the fee letter and the market flex provision. I don't think at any point you were asked whether in your capacity as the investment banker for the City of Detroit if you were unaware of the market flex provision personally, would you be able to recommend a $350 million loan if you did not know what the market flex provision could yield as far as interest rates.
A. I would not be in a position to recommend the transaction to Kevin Orr if I was not aware of the market flex provision.
Q. And similarly, if you were unaware of the fees associated with the $350 million loan, would you, as

the investment manager for the City of Detroit, be able to recommend that transaction to the City?

A. I -- in order to recommend the transaction to Kevin Orr, it was important to me to have the understanding of the commitment fee.

Pg: 205 Ln: 2 - 6

Designation:

205: BY MS. GREEN:

Q. You were asked earlier about what I believe was Exhibit 3, but it might be Exhibit 4 because I think we split it. It's the term sheet. It was the one that was misstapled, so I am unclear as to which.

Pg: 205 Ln: 10 - 12

Designation:

205: Q. Yeah. If you flip -- mine is Bates numbered differently. Section 5 is what I am looking at, paragraph 5.

Pg: 206 Ln: 1 - Pg: 208 Ln: 7

Designation:

206: BY MS. GREEN:

Q. Certain other provisions, paragraph 5.

A. Yes.
Q. The third bullet point down, it says state law validity opinion for the note. With appropriate carveout in respect to pledging priority. Do you see that part?
A. Yes.
Q. You helped prepare the term sheet, correct, the original term sheet?
A. Yes.
Q. Was this portion part of the original term sheet or did Barclays change this?
A. This was a negotiated provision of the Barclays' term sheet.
Q. And why was it negotiated?
A. Because they wanted a state law validity opinion.
Q. And why were the pledge and priority issues specifically carved out of that legal opinion requirement?
A. The attorneys spent a substantial amount of time dialoguing on the opinions that would be delivered in context of the closing of the financing and what was an opinionable matter both in regards to -- in regards to the world of municipal finance, in regards to the world of restructuring finance, and what one could

207:

deliver as a law firm when the two worlds collided and -- and to the best of my recollection, that is a -- that reflects, you know, some form of meeting of the minds that the law firms had in regards to the form that opinion would take and what it would reference and what it would not reference.

Q. And what would it not reference?

A. Well, I think what this would -- I think the point here is you have a state law validity opinion and it would be a valid opinion under state law but it would have an appropriate carveout in respect to the pledge and priority which were provisions of Federal Bankruptcy Code and so could possibly be beyond an area at which someone would be expected to deliver a state law opinion. But that's said by someone who is not a practicing attorney.

Q. Were the concerns about the casino revenue being used as a pledge part of the reasoning behind not requiring legal opinions with respect to the pledge itself?

A. I don't -- I don't know or I can't recall. Part of this discussion, as I recall, all involved the concept of, like, what a particular institution such as Miller Canfield, which knew the provisions of state law, could opine on or not opine on and should opine on and

208: not opine on given that in the federal context and in the federal restructuring context, it's relatively unusual to have validity opinion in regards to pledging and priority based on a post-petition financing with the federal court order. But, once again, this is a banker trying to recall a conversation amongst four law firms.

Pg: 210 Ln: 6 - 7

Designation:

THE WITNESS: Exhibit 11 has that language that you were going to, I believe.

Pg: 210 Ln: 8 - 25

Designation:

BY MS. GREEN:

Q. The version I have does have the page and the language appears to be delivery of legal opinions in form and substance consistent with the documentation requirements set forth in section 5 hereof.

A. Yep.

Q. My only question for you then to follow up is if there is not a legal opinion listed in the documentation of paragraph 5, is it your understanding that there is no other legal opinion required under the note?

To make it easier, is there, like, a side agreement that we don't know about --

A. No, no. I --

Q. -- that has a legal opinion that has not been produced?

A. No, there's not a side --

Q. Okay.
A. There's not a side agreement.

Pg: 211 Ln: 4 - 5

Designation:

MARKED BY THE REPORTER:
DEPOSITION EXHIBIT 15

Pg: 211 Ln: 9 - Pg: 212 Ln: 9

Designation:

BY MS. GREEN:
Q. Mr. Doak, who is Thomas Gavin?
A. Thomas Gavin is an investment banker at R. W. Baird.
Q. And how is R. W. Baird involved in the City's finances?
A. R. W. Baird is a -- it has an engagement with the City with regards to the water fund and sewer fund and DWSD financings.
Q. And do you know if Thomas Gavin personally is working on that matter?
A. He's the -- he's been the individual present at some meetings with DWSD executives and introduced as the R. W. Baird banking team representative.
Q. And in Exhibit 15, at the bottom, it appears to be an email dated August 29th, 2013. Do you recognize that

email?

A. Yes.

Q. It states, Tom, great to meet you at DWSD. Is that referring to one of the meetings that you just spoke of?

A. Okay. I'm on the second page. Yes.

Q. Okay. You further state we're working on sourcing 350 million post-petition financing use of proceeds as to financing the swap termination and provide general fund liquidity through the Chapter 9 case, correct?

A. Yes.

Pg: 212 Ln: 10 - Pg: 213 Ln: 5

Designation:

Q. Did you speak with him about this post-petition financing earlier when you met him in person or was this the first he heard of it, this financing?

A. You got to ask that question again because it's a double question.

Q. Because it's what?

A. It's a double question.

Q. Okay. Did you speak to Mr. Gavin about the post-petition financing when you met him in person?

A. No.

Q. So this email was the first time you had approached R. W. Baird regarding post-petition financing?

A. Yes.
Q. Okay. And did you later speak with Mr. Gavin regarding that post-petition financing?
A. Yes.
213: Q. And when was that conversation?
A. I don't recall.
Q. Would it have been shortly after this email or was it recently?
A. Shortly after the email.

Pg: 213 Ln: 6 - 21

Designation:

213: Q. Okay. What was the substance of your conversation with Mr. Gavin relating to the post-petition financing?
A. He indicated that R. W. Baird would be declining the opportunity to arrange the post-petition financing and that it was, you know, a little outside their business model and, you know, given their ongoing engagement with DWSD, he thought that it would potentially, you know, create confusion or conflicts and so they were going to pass.
Q. Does R. W. Baird also represent the swap counterparties or, I guess, not represent but do they also have consulting or financial advisory services that they provide to the swap counterparties to your

knowledge?
A. I don't know.

Pg: 213 Ln: 22 - Pg: 216 Ln: 5

Designation:

213:22 Q. If you look at the email from Thomas Gavin that's above the one that we just spoke of, there's an email to you.
A. Yes.
214: 1 Q. It says when we spoke, I said that the counterparties didn't get a bankruptcy opinion from Lewis and Munday. I neglected to say that they did get an opinion from Orrick, attached. Are you familiar with the Orrick legal opinion?
A. No.
Q. Do you recall when he sent the email, did you review the Orrick legal opinion that was attached?
A. No.
Q. When you read this email, did you miss that there was an opinion attached?
A. No.
Q. So you knew it was attached but you didn't open it?
A. I don't remember whether I opened it.
Q. Okay. Further down in that paragraph, it says as I said on the phone, the counterparties' attorneys did not believe that the pledge survived but they did get

what they could from Orrick -- did get what they could from Orrick. Did you know what he meant when he said the counterparties' attorneys did not believe that the pledge survived?
A. Yes.
Q. And is it because, as the lead into the sentence says, as I said on the phone? Was he repeating something he had previously told you?
215: A. Yes.
Q. Okay. How did he explain it to you on the telephone?
A. He had a recollection or at least a narrative in regards to the negotiations that had occurred amongst parties in 2009 and he was informing me of a dialogue that he indicated had occurred in the negotiations between the City and its advisors and the swap counterparties and their advisors in regards to structuring the collateral agreement and amendment to the swaps.
Q. And when you say the collateral agreement, you mean the collateral agreement that secured -- or -- I'm sorry -- that pledged the casino revenue, correct?
A. Yes.
Q. Okay.
A. That did whatever it did to the casino revenue.
Q. Well, right. So, on the phone, you discussed that the counterparties themselves did not believe that the pledge of the casino revenue survived. When you

say -- when the word here survived is used, do you have an understanding as to what he's referring to? Does he mean the bankruptcy filing?

A. He -- in his narrative, he was suggesting that back in 2009, the City -- City's advisors were of the opinion that the protection could be conveyed to the swap

216:

counterparties and the swap counterparties' attorneys were of the opinion that the protection that was being provided in the collateral agreement wouldn't work. That is what I recall from the telephone conversation with him.

<u>Exhibit 6C</u>

Excerpt from the Deposition of Charles Moore

UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION

In Re:

CITY OF DETROIT, MICHIGAN   Chapter 9
                                   Case No.13-53846
Debtor.   Hon. Steven Rhodes
_________________________________ /

The Deposition of CHARLES MOORE,
Taken at 150 West Jefferson Avenue, Suite 2500,
Detroit, Michigan,
Commencing at 10:00 a.m.,
Wednesday, December 4, 2013,
Before Kathy Adkins, CRR, RMR, CSR-4697.

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Appearing on behalf of David Sole, Party in Interest.

TABLE OF CONTENTS

EXHIBITS

Detroit, Michigan
Wednesday December 4, 2013
10:00 a.m.

CHARLES MOORE,

was thereupon called as a witness herein, and after having first been duly sworn to testify to the truth, the whole truth and nothing but the truth, was examined and testified as follows:

MARKED FOR IDENTIFICATION
EXHIBIT 1
9:57 a.m.

EXAMINATION

BY MR. HACKNEY:

Q. Mr. Moore, good morning. Can you state your name for the record, please.
A. Yes. Charles Moore, M-O-O-R-E.
Q. It's my understanding that you've had your deposition taken a number of times before, is that correct?
A. Yes, sir.
Q. And it's fair to say that you have a general understanding of the way a deposition process works, is that correct?
A. Yes.
Q. The most important rule from my standpoint is that if

A. Yes.
Q. And the scope of services did not change with the amendment as you understand it, correct?
A. Correct.
Q. And is Conway MacKenzie performing all of the services that are described in Exhibit A?
A. Yes.
Q. Do you see that on the first page of Exhibit A, which also has got the number three on it under the contract, do you see that down at the bottom?
A. Yes, sir.
Q. Do you see that it says that one of the things that you will do is that you will work collaboratively with City of Detroit, State of Michigan, and outside professionals to develop a detailed, comprehensive work plan, do you see that?
A. Yes.
Q. Did Conway MacKenzie do that?
A. Yes.
Q. Do you know when it completed that work plan?
MR. HAMILTON: Object to form.
A. The initial work plan that was established would have been completed in January of 2013.
BY MR. HACKNEY:
Q. You said initial, are you suggesting that it's

something that is constantly revised or has been revised since the initial one was completed?

A. Yes, a work plan is essentially meant to identify tasks that need to be performed and manage those tasks, and so periodically we are providing updates to the City regarding upcoming tasks.

Q. So is this one of those things where as tasks are completed, the completion of the tasks are noted, as additional tasks are added, they are added to the work plan and it's an organic living document?

A. Yes.

Q. How regularly is that updated?

A. There's not a set frequency. Sometimes, and by the way, there may be multiple items that can be considered a work plan. Our communications with the department regarding upcoming activities may take one form, our communications with say the emergency manager office may take another form. Generally speaking, every two to three weeks or so documents are updated.

Q. Is the work plan something that's available to creditors to your knowledge?

A. I'm not aware.

Q. Okay. Do you know whether you've ever been, have you ever been asked to produce it so that it could go into