



MEMORANDUM

To: City Council Members  
City of Detroit

From: Kevyn D. Orr, Emergency Manager  
City of Detroit

Date: October 17, 2014

RE: Approval of Settlement with Financial Guaranty Insurance Company

DETROIT  
CITY CLERK  
2014 OCT 17 A 11:53

Pursuant to Sections 12(1)(r) and 12(1)(u), among others, of the Local Financial Stability and Choice Act, Act No. 436, Public Acts of Michigan, 2012 (“Act 436”) the Emergency Manager has proposed to seek approval from the Detroit City Council and the State Local Emergency Financial Assistance Loan Board to enter into a settlement with Financial Guaranty Insurance Company (“FGIC”), which would be documented by several distinct agreements (the “FGIC Settlement”), which are summarized in the term sheets for the FGIC Settlement, attached hereto (the “Term Sheets”).

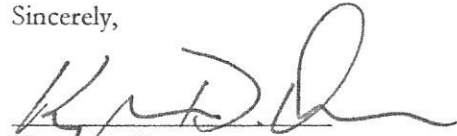
Pursuant to the terms of the FGIC Settlement, FGIC shall (a) withdraw all objections it has in the case of *In re City of Detroit*, Michigan, Case No. 13-53846 (the “Bankruptcy Case”), (b) be deemed to have voted in favor of the applicable Amended and Restated Plan of Adjustment (as amended, the “POA”) for the City of Detroit (the “City”), (c) dismiss all counterclaims in the COP Litigation (as defined in the POA), (d) take appropriate steps to direct Wilmington Trust to effectuate certain components of the FGIC Settlement and the Plan COP Settlement (as defined in the POA), and (e) opt-into the Plan COP Settlement with respect to the COPs (as defined in the POA) originally insured by FGIC, in exchange for which the City shall (i) remove the Joe Louis Arena (the “JLA”) from the Class 9 Eligible City Assets (as defined in the POA) and the Joe Louis Arena Parking Garage (the “JLA Garage”) from the City’s request for qualifications with respect to the City’s parking system; (ii) dismiss the COP Litigation; (iii) pay FGIC an Allowed Class 14 Claim (as defined in the POA) in the amount of \$6.11 million; (iv) cause the Downtown Development Authority to assign its interest in the distribution of New B Notes (as defined in the POA); (v) execute a development agreement with FGIC or an affiliate thereof, whereby: (A) FGIC has the option to require the City to convey the parcels on which the JLA and the JLA Garage sit (the “JLA Parcels”), provided FGIC delivers a development plan to the City for its approval within 3 years, which deadline may be extended by 2 years upon request of FGIC and approval by the City and FGIC commences construction within 1 year after transfer of the JLA Parcels and completes construction within 3 years, (B) the City will commence demolition of the JLA within three months following expiration of the lease to which the JLA Parcels are subject and complete such demolition within 1 year of commencement (C) the City will remediate any regulated hazardous substances on or below the surface of the JLA Parcels to the extent required by law for FGIC’s proposed development, for which purposes the State of Michigan (the “State”) will provide the City \$6 million in incentives under the Community Revitalization Program, (D) the City will cause the JLA Parcels to be zoned “B-5” and declared either a Commercial Redevelopment Zone or a Commercial Rehabilitation Zone, as requested by FGIC, (E) the City will cure certain objections that FGIC has to the title and survey for the JLA Parcels, once received, (F) the State agrees that it will provide certain economic incentives, for which the City will assist in achieving and (G) the City will perform or cause to be performed certain repairs to the JLA Garage as identified by Desman Associates.

Pursuant to Section 19 of Act 436, the Emergency Manager hereby submits the Term Sheets for the FGIC Settlement for consideration. Under Section 19(1) of Act 436, the City Council has 10 days from the date of submission of the Term Sheets to approve or disapprove the FGIC Settlement. If the City Council

does not act within this period, the FGIC Settlement will be considered approved by the City Council. If the City Council disapproves the FGIC Settlement within the period provided under Section 19(1) of Act 436 as described above, the City Council is required, pursuant to Section 19(2) of Act 436, to submit an alternative proposal to the State Local Emergency Financial Assistance Loan Board within 7 days of such disapproval, which such alternative proposal shall "yield substantially the same financial result as the" FGIC Settlement. Pursuant to Section 19(2) of Act 436, the State Local Emergency Financial Assistance Loan Board would choose between the City Council's alternative and the FGIC Settlement.

Please do not hesitate to contact my office with any questions or concerns regarding the matters addressed herein. We look forward to your prompt response to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "K. D. Orr", written over a horizontal line.

Kevin D. Orr  
Emergency Manager,  
City of Detroit