CITY OF DETROIT
OFFICE OF THE EMERGENCY MANAGER

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October 15, 2014

Mr. R. Kevin Clinton
State Treasurer
Michigan Department of Treasury
Bureau of Local Government Services
4th Floor Treasury Building
430 West Allegan Street
Lansing, MI 48992

Dear Mr. Clinton:

I enclose the quarterly report of the Emergency Manager of the City of Detroit as required by Section 9(5) of the Local Financial Stability and Choice Act (Michigan Public Act 436 of 2012). The report details the financial condition of the City for the quarterly period of July 1, 2014 through September 30, 2014.

Respectfully submitted,

Kevyn D. Orr
Emergency Manager
City of Detroit

Enclosure

cc: Mr. Tom Saxton, Chief Deputy Treasurer
Mr. Edward B. Koryzno, Administrator, Office of Fiscal Responsibility

State Representatives	*State Senators*
The Hon. Brian Banks	The Hon. Coleman Young, II
The Hon. Alberta Talabi	The Hon. Bert Johnson
The Hon. John Olumba	The Hon. Morris W. Hood, III
The Hon. Rose Mary Robinson	The Hon. Virgil Smith
The Hon. Fred Durhal	The Hon. Tupac A. Hunter
The Hon. Rashida Tlaib	
The Hon. Thomas Stallworth	
The Hon. David Nathan	
The Hon. Harvey Santana	
The Hon. Phil Cavanagh	

QUARTERLY REPORT WITH RESPECT TO THE FINANCIAL CONDITION OF THE CITY OF DETROIT

October 15, 2014

This quarterly report covers the period from July 1, 2014 through September 30, 2014 (the "Reporting Period") and addresses the financial condition of the City of Detroit.

Local Financial Stability and Choice Act (Michigan Public Act 436 of 2012) ("PA 436")

<u>Section 9(5) [MCL § 141.1549(5)]</u>

The emergency manager shall submit quarterly reports to the state treasurer with respect to the financial condition of the local government in receivership, with a copy to the superintendent of public instruction if the local government is a school district and a copy to each state senator and state representative who represents that local government. In addition, each quarterly report shall be posted on the local government's website within 7 days after the report is submitted to the state treasurer.

Status of the Financial Condition of Detroit
July 1, 2014 – September 30, 2014

Emergency Manager's Comments on the Financial Condition of the City of Detroit

Despite substantial progress in the City's restructuring, the financial condition of the City of Detroit continues to be troubled. On July 18, 2013, the City filed for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"). The City's bankruptcy case is captioned *In re the City of Detroit, Michigan*, Case No. 13-53846 (Bankr. E.D. Mich.) (the "Bankruptcy Case"). In December 2013, the Bankruptcy Court determined that the City is eligible to be a debtor in the Bankruptcy Case.

The City stopped making payments related to pre-bankruptcy unsecured funded debt and legacy liabilities, with the exception of certain retiree healthcare benefits, which the City continued to pay in the ordinary course during the Reporting Period (subject to certain modifications effective as of March 1, 2014).

General Fund Cash Flows and Liquidity Results for the first quarter of Fiscal Year 2015 (See Appendix A)

The City's 2015 fiscal year runs from July 1, 2014 through June 30, 2015. At the beginning of the first quarter of fiscal year 2015, the City's General Fund had cash of $216.8 million before accumulated property tax distributions in the amount of $60.0 million, resulting in a net unrestricted cash balance of $156.8 million. Based upon actual results for the first quarter of fiscal year 2015 (*i.e.*, the thirteen week period ended September 26, 2014), the City had positive net cash flow of $192.1 million. This resulted in a cash balance of $408.9 million, as of September 26, 2014, before deducting accumulated property tax distributions of $117.8 million (preliminary estimate), leaving a net ending unrestricted cash balance of $291.1 million.

During the first quarter, the City continued to make payments related to certain Limited Tax General Obligation (LTGO) debt, Unlimited Tax General Obligation (UTGO) debt and Certificates of Participation interest rate swaps that constitute secured debt. Amounts paid related to these obligations on a cash basis were $9.8 million, $1.6 million and $12.8 million, respectively. In addition, the City made set-aside payments of $11.1 million in connection with the UTGO settlement agreement as incorporated into the Plan (as defined below). While the City has continued to make payments related to health coverage for retirees during the Reporting Period (as modified effective March 1, 2014), the General Fund did not make pension contributions to either the General Retirement System ("GRS") or the Police and Fire Retirement System ("PFRS" and, together with GRS, the "Retirement Systems"). Similarly, the City did not make any payments on unsecured LTGO and UTGO bond debt during the Reporting Period, other than the aforementioned payments.

The unrestricted cash balance as of September 26, 2014 exceeded the same period prior year balance by $162.6 million. When comparing the prior year and current year actual cash flows for the first quarter, the major differences were as follows:

- $76.1 million favorable difference in property taxes, primarily due to the timing of Wayne County settlement fund proceeds.
- $4.7 million unfavorable difference in net income taxes, due to timing of receipts and refunds.
- $3.5 million favorable difference in utility taxes, primarily due to higher transition costs in the prior year of the Public Lighting Authority.
- $5.2 million unfavorable difference in gaming taxes, primarily due to timing of receipts.
- $7.1 million favorable difference in payroll, primarily due to lower headcount.
- $18.7 million favorable difference in benefits, primarily due to modifications to retiree healthcare, consistent with the Plan of Adjustment.
- $16.2 million unfavorable difference across property tax disbursements, primarily due to timing of disbursements related to higher property tax collections in July 2014.
- $38.0 million unfavorable difference in Accounts Payable (AP) and other, primarily due to restructuring related professional costs.

Preliminary Unaudited Revenues and Expenditures for the 3 Months Ended September 2014

As of the date of this report, there are entries, accruals and other accounting closing procedures that have not been completed for the first quarter of fiscal year 2015. In addition, the City's fiscal year 2014 audit is not yet finalized. As a result, the preliminary figures are not reliable without a complete accounting of all activities, including normal accounting closing entries for the period, and are therefore not included in this report.

Emergency Manager Actions Regarding Restructuring Process

Background – Activities Prior to the Reporting Period

The Emergency Manager previously submitted quarterly reports pursuant to Section 9(5) of PA 436 dated July 15, 2013, October 15, 2013, January 15, 2014, April 15, 2014 and July 15, 2014 (collectively, the "Prior Quarterly Reports" and each, a "Quarterly Report"). The Prior Quarterly Reports describe the Emergency Manager's activities between his appointment and the commencement of the Bankruptcy Case, including, among other things: (a) the process of developing a comprehensive restructuring plan for the City and addressing the City's other urgent needs immediately following the Emergency Manager's appointment; (b) the review of all of the City's financial obligations and operational issues to develop a realistic assessment of the City's problems, obstacles, needs and opportunities; (c) the development of the financial and operating plan for the City dated May 12, 2013 (the "Financial and Operating Plan"); (d) the development of a detailed restructuring proposal delivered to creditors on June 14, 2013 (the "Restructuring Proposal"); and (e) the Emergency Manager's efforts to negotiate with creditors prior to the commencement of the Bankruptcy Case. Copies of the Financial and Operating Plan and the Restructuring Proposal, among other documents, are available at: http://www.detroitmi.gov/ EmergencyManager/Reports.aspx.

On July 18, 2013 (the "Petition Date"), following approval by the Governor, the City filed a voluntary petition commencing the Bankruptcy Case. Along with its voluntary petition, the City filed various other papers, including the Declaration of Kevyn D. Orr in Support of City of Detroit, Michigan's Statement of Qualifications Pursuant to Section 109(c) of the Bankruptcy Code (the "Orr Declaration"). The Orr Declaration explains the history of the City's financial and operational problems, details the dire circumstances facing the City and provides support for the City's eligibility to be a chapter 9 debtor under the Bankruptcy Code.

On December 5, 2013, the Bankruptcy Court entered (a) its opinion holding that the City is eligible to be a debtor under chapter 9 of the Bankruptcy Code (the "Eligibility Opinion") and (b) an order for relief entitling the City to proceed under chapter 9 (the "Order for Relief" and, together with the Eligibility Opinion, the "Eligibility Order"). A number of objectors – including, among others, various unions, retiree representatives and the Retirement Systems – filed notices of appeal of the Eligibility Order. On February 21, 2014, the United States Court of Appeals for the Sixth Circuit (the "Circuit Court") entered orders certifying certain of the appeals for direct appeal, but declining to expedite the appeals at that time. Certain appellants filed motions to expedite the briefing schedule and oral argument, which were denied, and the City was authorized to file a consolidated appellate brief addressing issues raised in each of seven related appeals. A briefing schedule was established, and all briefing was completed prior to the Reporting Period. Oral argument before the Circuit Court was set for July 30, 2014, but has been stayed indefinitely by agreement of the parties as a result of the settlement of pension claims asserted against the City. One request for a direct appeal of the Eligibility Order to the Circuit Court was denied as untimely and otherwise procedurally defective. That additional appeal remains pending and indefinitely stayed before the United States District Court for the Eastern District of Michigan.

The Bankruptcy Court set a deadline of March 1, 2014 for the City to file a plan of adjustment in the Bankruptcy Case. On February 21, 2014, the City filed the Plan for the Adjustment of Debts of the City of Detroit (Docket No. 2708) (as amended, modified or supplemented from time to time, the "Plan") and a related Disclosure Statement (Docket No. 2709) (as amended, modified, supplemented and approved by the Bankruptcy Court, the "Disclosure Statement"). Prior to the Reporting Period, amended versions of the Plan and the Disclosure Statement were filed as follows: (a) first amended versions on March 31, 2014 (Docket Nos. 3380 and 3382, respectively); (b) second amended versions April 16, 2014 (Docket Nos. 4140 and 4141, respectively); (c) third amended versions on April 25, 2014 (Docket Nos. 4271 and 4272, respectively); and (d) fourth amended versions on May 5, 2014 (Docket Nos. 4391 and 4392, respectively). By an order entered on May 5, 2014 (Docket No. 4401), the Bankruptcy Court approved the Disclosure Statement in the form filed on May 5, 2014.

The Plan provides for the resolution of a variety of complex financial and operational issues faced by the City. The Emergency Manager believes that adjustment of the City's debts pursuant to the Plan will provide the best recovery for creditors of the City on a fair and equitable basis, while simultaneously allowing for meaningful and necessary investment in the City. The Plan contemplates the City's prompt emergence from chapter 9 and represents a crucial step toward the City's rehabilitation and recovery from its decades-long downward spiral.

Except in the case of subordinated claims (which receive no recovery), the Plan provides a recovery to all classes of Claims consistent with the legal rights and priorities of each creditor group. The Plan also allows for investment in the City of approximately $1.7 billion over ten years, which the Emergency Manager believes is critical and meaningful to, among other things: (a) provide basic, essential services to City residents; (b) attract new residents and businesses to foster growth and redevelopment; (c) reduce crime; (d) demolish blighted and dangerous properties; (e) provide functional streetlights that are aligned with the current population footprint; (f) improve information technology systems, thereby increasing efficiency and decreasing costs; and (g) otherwise set the City on a path toward a better future. The Emergency Manager believes that the Plan gives the City the best chance of effectively adjusting its debts and reestablishing itself as a prosperous and productive American city.

The Disclosure Statement contains detailed information about the terms of the Plan, projected recoveries to creditors thereunder, certain of the settlements incorporated into the Plan, the risk factors associated with the Plan, the tax consequences of the restructuring contemplated by the Plan and various other matters. The Disclosure Statement also provides detail about the events leading up to, and activities in, the Bankruptcy Case. The Orr Declaration, the Eligibility Opinion, the Order for Relief and the Disclosure Statement, along with other Bankruptcy Case filings and other information relevant to the Bankruptcy Case, can be found on the website of the City's claims and noticing agent at www.kccllc.net/Detroit.

On March 11, 2014 and May 5, 2014, the Bankruptcy Court entered orders (Docket Nos. 2984 and 4400, respectively) establishing certain procedures for the solicitation and tabulation of votes with respect to the Plan. Consistent with these procedures and the Bankruptcy Court's order approving the form of the Disclosure Statement, the solicitation of votes on the Plan began on May 12, 2014.

Activities in the Bankruptcy Case During the Reporting Period

The Emergency Manager continues to move the Bankruptcy Case toward conclusion as expeditiously as possible with a view to completing an adjustment of the City's debts under the Bankruptcy Code this year. Concluding the Bankruptcy Case in a timely and efficient manner is important to the City's revitalization and reinvestment activities because it will free the City from burdensome and unsustainable debt obligations and allow the City to reinvest in operations and infrastructure, which in turn will attract new businesses and residents to the City and promote the health, safety and welfare of the public.

Plan Confirmation

The deadline for voting on the Plan was July 11, 2014. By declarations filed on July 21, 2014 and August 12, 2014 (Docket Nos. 6179 and 6665, respectively), the City's balloting agent certified the results of voting, including the acceptance on the Plan by seven impaired classes of unsecured claims. Since the commencement of solicitation of the Plan, the City has filed additional amended versions of the Plan containing nonmaterial modifications or modifications beneficial to creditors as follows: (a) a fifth amended version filed on July 29, 2014 (Docket No. 6379); (b) a sixth amended version filed on August 20, 2014 (Docket No. 6908); and (c) a seventh amended version filed on September 16, 2014 (Docket No. 7502). Among other things, amendments to the Plan during the Reporting Period reflect settlements reached with certain parties.

During the Reporting Period, the City and parties in interest conducted extensive discovery and related activities in preparation for the evidentiary hearing on confirmation of the Plan, including: (a) the exchange of thousands of documents between the City and certain parties objecting to the Plan; (b) the deposition of various parties, including the Emergency Manager, the Mayor of the City of Detroit (the "Mayor") and the President of the Detroit City Council (the "Council"); and (c) the preparation and exchange of expert reports, including the report of Martha E. M. Kopacz of Phoenix Management Services, the Bankruptcy Court's expert feasibility expert, which found that the Plan is feasible, as required by section 943(b)(7) of the Bankruptcy Code.

Legal briefing in support of confirmation of the Plan continued during the Reporting Period. In particular, the City filed the following documents during the Reporting Period setting forth the City's arguments in support of confirmation of the Plan: (a) the City's Supplemental Brief Regarding Standing of Syncora to Raise Certain Objections to Confirmation (Docket No. 6010), filed on July 14, 2014; (b) the Consolidated (A) Pretrial Brief in Support of Confirmation of Sixth Amended Plan for the Adjustment of Debts of the City of Detroit and (B) Response to (I) Certain Objections Filed by Individual Bondholders and Individual Retirees and (II) Supplemental Objections (Docket No. 7143), filed on August 27, 2014; (c) the Consolidated Response to Certain *Pro Se* Objections to Confirmation of the Sixth Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 7303), filed on September 5, 2014; and (d) the Consolidated Reply to Supplemental Objections to Confirmation of the Seventh Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 7707), filed on September 26, 2014.

The hearing on confirmation of the Plan commenced on August 29, 2014 and is ongoing as of the date of this report. To date, the City has presented the testimony of various witnesses in support of confirmation of the Plan pursuant to section 943(b) of the Bankruptcy Code, including the testimony of the Emergency Manager. Confirmation hearing dates currently have been scheduled though October 17, 2014.

Plan Settlements

The Prior Quarterly Reports provide details of various settlements incorporated into the Plan, including the following: (a) a settlement of various issues relating to the Detroit Institute of Arts ("DIA"); (b) a settlement with the State (sometimes referred to with the DIA settlement as the "Grand Bargain"); (c) a settlement (the "Swap Settlement") of certain swap claims related to the certificates of participation issued in connection with the City's pension funding obligations (the "COPs"); (d) a settlement with the Official Committee of Retirees appointed in the Bankruptcy Case (the "Retiree Committee") related to the treatment of pension and other post-employment benefit ("OPEB") claims under the Plan; (e) a settlement with the Retirement Systems related to the treatment of pension claims under the Plan; (f) a settlement of claims related to unlimited tax general obligation bonds; (g) settlements with certain uniform and non-uniform retiree associations related to the treatment of pension and OPEB claims under the Plan; and (h) a settlement with certain public safety unions relating to the terms that will govern pensions, wages and healthcare for such unions' members for the five-year period following the date that the Plan becomes effective. Additional settlements were announced on June 13, 2014 and were incorporated into the Plan during the Reporting Period, including: (a) a settlement with the American Federation of State, County and Municipal Employees Council 25; and (b) a settlement of claims related to limited tax general obligation bonds.

During the Reporting Period, the City entered into additional settlements including: (a) a settlement with the holders and representatives of certain prepetition claims arising in connection with causes of action against the 36th District Court (e.g., tort claims brought against the court by individuals) that, if successful, ultimately may have given rise to reimbursement obligations by the City; and (b) a settlement (the "Syncora Settlement") with Syncora Guarantee, Inc. and Syncora Capital Assurance, Inc. (together, "Syncora"). The Syncora Settlement resolves a variety of issues between the City and Syncora, which previously had been one of the most active objectors to confirmation of the Plan. Pursuant to the Syncora Settlement, Syncora (and all other holders of claims arising from the COPs in class 9 under the Plan who so elect) will receive enhanced recoveries in consideration for their agreeing to the allowance and treatment of their claims provided for under the Plan and agreeing to support confirmation of the Plan. In addition, the Syncora Settlement provides Syncora with, among other things, the opportunity to partner with the City on certain redevelopment projects in exchange for Syncora's agreement to (a) satisfy certain capital expenditure requirements with respect to the projects in accordance with the terms of the Syncora Settlement and (b) dismissal of all litigation between Syncora and the City.

The Emergency Manager and his staff and advisors continue to pursue additional settlements with stakeholders that have not yet agreed to support the Plan through negotiation and the mediation program established by the Bankruptcy Court to facilitate these efforts.

Preparation for the Implementation of the Plan

During the Reporting Period, the City continued to prepare to implement the transactions contemplated by the Plan on the date that the Plan becomes effective in accordance with its terms (the "Effective Date").

Grand Bargain Documentation

The City finalized the definitive form of various documents associated with the Grand Bargain during the Reporting Period. As a result, the seventh amended Plan included, among other exhibits: (a) the definitive documentation to be executed in connection with the DIA settlement; (b) the form of agreement pursuant to which the State will contribute the net present value of $350 million payable over 20 years using a discount rate of 6.75% to the Retirement Systems for the benefit of the holders of pension claims; (c) the form of the GRS and PFRS active pension plans; and (d) the retiree healthcare settlement agreement.

The New Notes

The Plan contemplates that the City will issue certain securities to provide recoveries to creditors under the Plan (collectively, the "Securities"). The Securities include the unsecured notes referred to under the Plan as the "New B Notes" and "New C Notes." The New B Notes consist of $632.0 million in initial principal amount of unsecured notes maturing in 30 years, interest only for the first 10 years, with interest payable at a rate of 4% for the first 20 years and 6% thereafter. The definitive form of the New B Notes documents was first filed as an exhibit to the Plan prior to the Reporting Period.

Consistent with the Syncora Settlement, the City also will issue up to approximately $88.4 million in unsecured New C Notes as one source of recovery for holders of COPs claims that elect to accept the settlement of their claims provided in the seventh amended version of the Plan. The New C Notes will be serviced from certain parking revenues received by the City, will bear interest at a rate of 5% and will mature 12 years after issuance. The definitive forms of the New C Notes documents were filed during the Reporting Period as an exhibit to the seventh amended version of the Plan.

On September 26, 2014, the State Local Emergency Financial Assistance Loan Board (the "Loan Board") approved the issuance of the New B Notes and the New C Notes, among other Securities, following their approval by the Council.

Exit Financing

As more fully described in the Prior Quarterly Reports, on April 2, 2014, the Bankruptcy Court entered an order (Docket No. 3607) authorizing the City to issue up to $120 million in Quality of Life Bonds (the "Quality of Life Loan"). The Quality of Life Loan closed on April 8, 2014. The proceeds of the Quality of Life Loan have been used to advance certain key investment initiatives of the City, including, but not limited to, essential investments in blight removal, public safety and technology infrastructure.

On July 18, 2014, the City issued a request for proposals for exit financing (the "Exit Financing") to, among other things, (a) repay the Quality of Life Loan, (b) fund certain of the City's revitalization and reinvestment activities following the Effective Date and (c) fund the Swap Settlement. The City received Exit Financing proposals from various parties by the deadline of July 24, 2014 and determined in its business judgment to engage in further negotiations with three such parties, including the lender that provided the Quality of Life Loan, Barclays Capital Inc. ("Barclays").

On August 27, 2014 the City and the Michigan Finance Authority (the "MFA") executed a commitment letter ("Commitment Letter") with Barclays, which, among other items, included a commitment from Barclays to provide up to $275 million in Exit Financing. A copy of the Commitment Letter and related term sheet were filed with the Bankruptcy Court on August 28, 2014 (Docket No. 7167). On September 17, 2014, the City, the MFA and Barclays executed an amended and restated Commitment

Letter, which increased the Exit Financing commitment to $325 million. Following that date, the parties have negotiated and prepared the transaction documents governing the Exit Financing consistent with the Commitment Letter and related term sheet, as amended.

The Exit Financing consists of a combination of taxable and tax-exempt bonds that will be issued by the City through the MFA and secured by a first priority lien on certain income tax revenues. The Council and the Loan Board approved the Exit Financing in an amount not to exceed $325 million on September 15, 2014 and September 26, 2014, respectively. No further approvals of the Exit Financing under applicable state law are necessary to consummate the transaction. On September 29, 2014, the City filed certain key Exit Financing transaction documents with the Bankruptcy Court (Docket No. 7743).

Other Restructuring Actions During the Reporting Period

During the Reporting Period, the Emergency Manager, his staff and outside advisors have continued to dedicate significant time and energy to addressing the City's financial and operational emergency. Just as with respect to prior reporting periods, meetings with interested parties, state and federal government officials, professional advisors and creditors occur numerous times each week, if not daily.

In support of the City's restructuring, the Emergency Manager issued various important orders that promote the health, safety and welfare of the City's residents and visitors. These orders also were designed to assist the Emergency Manager in his efforts to address the factors and circumstances contributing to the City's financial emergency. Since the submission of the fifth Quarterly Report, the Emergency Manager has entered orders consistent with PA 436, including orders: (a) granting the Mayor the power and authority to address certain issues with respect to the Detroit Water and Sewerage Department and the Board of Water Commissioners (Order No. 31); (b) directing that the City of Detroit Office of Homeland Security and Emergency Management shall report to the Mayor or his designee (Order No. 32); (c) adopting certain procedures with respect to the demolition of blighted residential properties (Order No. 33); (d) approving the articles of incorporation of the Great Lakes Water Authority (Order No. 34); (e) providing for the amendment of Chapter 18, Article IV of the Detroit City Code (the "City Code") to require the review of all grant applications by the director of the Office of Grants Management (Order Nos. 35, 37); (f) providing for the repeal of Chapter 14, Article VI of the City Code, which provisions implemented Public Act 344 of 1945, the Blighted Area Rehabilitation Act (Order No. 36); (g) establishing the Housing and Revitalization Department and its constituent divisions and transferring certain responsibilities of the Planning and Development Department to other City departments (Order No. 38); (h) establishing the Department of Innovation and Technology (Order No. 39); (i) restructuring the Human Resources Department (Order No. 40); and (j) establishing a centralized financial management organizational structure for the City under the authority of the City's Chief Financial Officer (Order No. 41). Certain of these orders were designed to effect an operational overhaul of City government consistent with the City's overall restructuring initiatives and goals, including to implement additional financial best practices. All of the foregoing orders, in addition to all prior and future orders of the Emergency Manager, are (or will be) available on the City's website at http://www.detroitmi.gov/EmergencyManager/Orders.aspx.

Section 9(6)(c) of PA 436 provides that the Emergency Manager may be removed after 18 months in office (or as of September 28, 2014) by the Mayor and the Council. In anticipation of this milestone date, the Emergency Manager engaged in a dialog with the Mayor, the Council and representatives of the State to work out a transition plan. On September 25, 2014, consistent with Section 9(6)(c) of PA 436, the City – by resolution of the Council (the "Resolution") and a letter of the Mayor (the "Letter") – took action to remove the Emergency Manager as of the Effective Date. Although the parties acknowledged that the Mayor and the Council are qualified to run the day-to-day operations of the City, the parties also acknowledged that the Emergency Manager's work to obtain confirmation and implementation of the Plan have not yet been completed.

Consistent with the Resolution and the Letter, on September 25, 2014, the Emergency Manager issued the Order Addressing Issues Relating to the Conclusion of the Emergency Manager's Tenure and Transition of City Operations to the Mayor and City Council (Order No. 42) (the "Transition Order") in anticipation of the approaching end of the Emergency Manager's tenure. The Emergency Manager issued the Transition Order, among other things, to: (a) promote the successful transition of City governance from Emergency Manager back to the Mayor and the Council so they can provide or cause to be provided necessary governmental services essential to the public health, safety and welfare; (b) assist in the City's efforts to rectify its financial emergency; and (c) otherwise fulfill the intents and purposes of PA 436 and chapter 9 of the Bankruptcy Code. Pursuant to the Transition Order, the Emergency Manager, among other things: (a) restored to the Mayor and Council their powers and authority over the City's day-to-day operations and activities that previously were exercised by the Emergency Manager; (b) provided that the Emergency Manager would continue to exercise his powers solely with respect to the management of the Bankruptcy Case and the implementation of the Plan; and (c) provided for the restructuring of the executive branch of City government and certain departmental restructurings pursuant to the terms of the Transition Order. On September 26, 2014, the City and the State filed the Joint Notice of Transition Plan in the Bankruptcy Case (Docket No. 7681) giving notice of the removal of the Emergency Manager as of the Effective Date and the issuance of the Transition Order.

Pursuant to the Resolution, the Letter and the Transition Order, therefore, as of September 25, 2014, the Mayor and the Council took over the day-to-day operations of the City. The Emergency Manager will retain his position through the Effective Date but, pursuant to the Transition Order, has agreed to limit his authority as described above and in greater detail in the Transition Order.

As of the Effective Date, the Financial Review Commission (the "Commission") will be established pursuant to and in accordance with the Public Act 181 of 2014, the Michigan Financial Review Commission Act, MCL §§ 141.1631, *et seq.* ("PA 181") to provide the oversight set forth in PA 181, including to ensure that, post-Effective Date, the City adheres to the Plan and continues to implement financial and operational reforms that promote more efficient and effective delivery of services to City residents. The establishment of the Commission also is addressed in Section IV.Y of the Plan.

Appendix

A. Cash Flow Actuals and comparison to Prior Year for the Period July-September

Appendix A

Cash Flow Actuals and comparison to Prior Year for the Period Jul-Sep

$ in millions	FY2015 Q1[1]	FY2014 Q1	Difference Q1
Operating Receipts			
Property taxes	$ 315.3	$ 239.2	$ 76.1
Income taxes	56.7	63.7	(7.0)
Utility taxes	4.7	1.2	3.5
Gaming taxes	45.3	50.5	(5.2)
Municipal service fee to casinos	7.0	7.3	(0.3)
State revenue sharing	63.4	60.6	2.8
Other receipts	101.9	98.9	3.0
Refinancing proceeds	16.8	-	16.8
Total operating receipts	611.1	521.4	89.7
Operating Disbursements			
Payroll, taxes, & deductions	(86.8)	(93.9)	7.1
Benefits	(27.1)	(45.8)	18.7
Pension contributions	-	-	-
Subsidy payments	(6.6)	(12.1)	5.6
Distributions - tax authorities	(114.1)	(102.6)	(11.5)
Distributions - UTGO	(1.6)	(1.3)	(0.3)
Distributions - TIF	(4.3)	-	(4.3)
Income tax refunds	(2.7)	(5.0)	2.3
A/P and other miscellaneous	(136.1)	(98.1)	(38.0)
Reinvestment spend	(16.0)	-	(16.0)
Sub-total operating disbursements	(395.3)	(358.8)	(36.5)
POC and debt related payments	(23.7)	(22.3)	(1.4)
Total disbursements	(419.0)	(381.1)	(37.9)
Net cash flow	192.1	140.3	51.8
Beginning cash balance	$ 216.8	$ 71.3	145.4
Net cash flow	192.1	140.3	51.8
Cash before required distributions	$ 408.9	$ 211.6	$ 197.3
Accumulated property tax distributions[2]	(117.8)	(83.1)	(34.6)
Cash net of distributions	$ 291.1	$ 128.5	$ 162.6
Memo:			
Refunding bond proceeds in escrow	86.9	86.9	0.0
Quality of life loan proceeds (Net of Reinvestment Spend)	102.2	-	102.2
Reimbursements owed to other funds	TBD	TBD	N/A

Footnotes:

[1] The final day of the month for cash reporting purposes was Sept 26, 2014

[2] The accumulated property tax distributions are based on preliminary estimates and are subject to change.