OVERVIEW OF DETROIT'S PLAN OF ADJUSTMENT

The Plan of Adjustment ("Plan") that the City of Detroit ("Detroit" or "City") filed with the U.S. Bankruptcy Court for the Eastern District of Michigan on February 21, 2014 represents a critical step toward the City's rehabilitation and recovery from a decades-long downward spiral. The Plan provides for the adjustment of up to as much as $18 billion in secured and unsecured debt and offers the greatest possible recoveries for the City's creditors while simultaneously allowing for meaningful and necessary investment in the City.

In connection with the Plan, the City intends to:

- Invest approximately $1.5 billion over 10 years to, among other things:
    - Improve and provide essential municipal services to the City's 700,000 residents, including police, fire and emergency medical services, garbage removal and functioning streetlights;
    - Attract and retain residents and businesses to foster growth and redevelopment; and
    - Improve the City's information technology systems, thereby increasing efficiency and decreasing costs.
- Provide pension treatment that is intended to deliver pensions that the City can afford and by which retirees can continue to meet their needs and maintain their current quality of life:
    - If police and fire retirees agree to the Plan, they would likely receive in excess of 90% of their earned pensions after elimination of cost of living allowances. General retirees who agree to the Plan would likely receive in excess of 70% of their pensions after elimination of cost of living allowances.
    - Detroit's current active employees would continue to earn pensions in the future under traditional defined benefit formulas, rather than defined contribution arrangements.
    - The two pension funds – the Police & Fire Retirement System and the General Retirement System – would operate under more conservative investment return assumptions. This will allow pension contribution predictability and stability, which is critical for the City to be assured that it has sufficient funds for operations and its $1.5 billion investment program in the future.
    - Contributions to the two pension funds would come from three sources over the next 10 years – accelerated pension funding contributions from the Detroit Water & Sewer Authority, contributions made in connection with a comprehensive settlement to preserve City-owned art for the benefit of the region, and

contributions to the pension funds from the State of Michigan ("Michigan") under certain settlement conditions.

  - The State support will be further designed to ensure that those retirees whose household income is at or relatively near the U.S. federal poverty level will not fall below those levels.

- Lay the foundation for a solvent Detroit that can live within its means and meet realistic obligations.

  - Essentially all creditors are entitled to a recovery under the Plan.

  - Unsecured, non-retiree creditors (including certain unlimited tax and limited tax general obligation debt that is currently the subject of pending litigation) will generally receive (i) an approximately 20% recovery on their claims in the form of new securities to be issued by the City and (ii) the potential to share in any increased revenues realized by a revitalized City.

- Continue to negotiate with surrounding counties regarding the potential creation of a regional water and sewer authority.

- Emphasize negotiated solutions – including through continuing federal mediation – that maximize creditor recoveries while allowing the City to meet its obligations and have a viable future. The Plan contemplates:

  - A consensual resolution of matters related to the DIA expected to yield approximately $465 million from certain philanthropic foundations and DIA Corp., which funds would be devoted to increasing the assets of the City's two pension funds.

  - A potential agreement involving the State that would provide as much as $350 million for pension claims in exchange for releases from pension claimants that elect to participate in the settlement.

  - The continued pursuit of a potential resolution of a costly interest-rate swaps arrangement.