

Bracketed language represents the City's preliminary guidance to potential underwriters which is subject to change and is not meant to limit parties from proposing alternative and/or more favorable terms.

City of Detroit
\$300,000,000 Exit Financing Bond Facility
Summary of Certain Key Terms and Conditions

Set forth below is a summary of certain key terms for the Exit Facility (as defined below). This summary of terms is for indicative purposes only. It does not purport to summarize all terms of the Exit Facility and related documentation and any terms contained herein are subject to change.

1. PARTIES AND TRANSACTIONS

Issuer: The City of Detroit (the "City").

On July 18, 2013, the City filed a voluntary petition for relief under chapter 9 of title 11 of the United States Code, 11 U.S.C. §§ 101-1532 (as amended, the "Bankruptcy Code"), in the U.S. Bankruptcy Court for the Eastern District of Michigan (the "Bankruptcy Court"). The City's bankruptcy case bears case number 13-53846 (the "Bankruptcy Case") and has been assigned to the Honorable Steven W. Rhodes. On May 5, 2014, the City filed with the Bankruptcy Court its Fourth Amended Plan for the Adjustment of Debts of the City of Detroit Docket No. 4392 (as may be further amended from time to time, the "Plan"). The confirmation hearing to determine whether the Plan can be confirmed is currently scheduled to begin on August 14, 2014. The Plan contemplates, as part of its implementation, that the City will obtain exit financing upon its emergence from bankruptcy protection.

Initial Bond Purchaser: To the extent a proposal for the Exit Facility requires a security interest, relevant provisions of Section 36a(7) of the Home Rule City Act requires that the bonds be sold to the Michigan Finance Authority ("MFA") and the MFA will issue bonds secured by the City's bonds. The Initial Bond Purchaser may be a private placement party to the extent the Exit Facility is unsecured.

Secondary Bond Purchaser: TBD

Indenture Trustee: TBD

2. TYPE AND AMOUNT OF FACILITY

- Type and Amount: \$300,000,000, exit financing bond facility (the “Exit Facility”) consisting of Financial Recovery Bonds (the “Bonds”) issued pursuant to section 36a(7) of the Michigan Home Rule City Act. The Bonds will be issued as a private placement, the proceeds of which will be used for such purposes as approved by the local emergency financial assistance loan board (the “ELB”), including funding of budgeted revitalization activities set forth in the Plan.
- Maturity: The Bonds will mature on the date that is [at least 11 years and up to 30 years] from the Closing Date (hereinafter defined) (the “Maturity Date”).
- Closing Date: The Closing Date shall be the first business day after the last to occur of (i) the Bankruptcy Court having entered an order in form and substance satisfactory to the Initial Bond Purchaser, the Secondary Bond Purchaser and the Indenture Trustee (the “Confirmation Order”) confirming the Plan and authorizing the City to take such actions as are necessary and appropriate to implement the Plan, including to effectuate the Exit Facility and (ii) the Date on which all conditions precedent to the issuance of the Bonds under the Bond Documents (hereinafter defined) are satisfied.
- Tax Exemption: [TBD – Up to \$200 million of the Financing will be tax exempt. Portions of the Financing funding the retirement of the City’s obligations with respect to holders of Class 5 Claims and Class 7 Claims, together approximately \$100 million, will be taxable.]

3. CERTAIN PAYMENT PROVISIONS

Bond Interest Rate: TBD

Upon the occurrence of an Event of Default, including the failure by the City to pay the Bonds in full on the Maturity Date, the interest rates on the loans shall be increased by 2% per annum.

Amortization of Principal:

[The City is considering Bonds of at least an 11-year term and up to a 30-year term. In addition, the City is considering Bonds that pay “interest only” for the first 5 to 10 years (depending on final maturity) following the Closing Date, with the Bonds amortizing over the remaining term on a level basis. All proposals should provide for comparison purposes pricing and debt service schedules for both “level debt service” (ie. scheduled interest plus principal remains flat through the life of the Bonds) and the initial “interest only” transaction structures. Alternative structures, including sub-series and multiple maturities may be considered by the City.]

Mandatory Prepayments:

N/A

Optional Prepayments:

[The Bonds may be called for redemption in whole or in part on any business day upon [10] business days’ prior written notice (i) at any time on or before the [_____] anniversary of the Closing Date, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and a make-whole premium (which shall be the amount of interest to and including the [_____] anniversary of the Closing Date calculated at the then-current Bond Interest Rate and (ii) at any time after the [_____] anniversary of the Closing Date, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest, without premium or penalty.)]

4. COLLATERAL AND PRIORITY

Collateral:

[Pursuant to section 36a(7) of the Michigan Home Rule City Act, the obligations owing by the City with respect to the Bonds shall be secured by a first priority statutory lien on certain income tax revenues of the City (the “Pledged Income Tax Revenue”). The documentation evidencing the Bonds and the liens securing them shall be collectively referred to as the “Bond Documents”. Alternatively, the City is seeking proposals for unsecured financing. Such a structure would not feature collateral securing the obligations.]

Release of Lien: To the extent the City has pledged certain of its income tax revenues as set forth in the “Collateral” section above, upon the [] anniversary of the City maintaining an investment grade credit rating from [a major credit rating agency], the lien will be released.

Events of Default: The failure to make any payment when such payment is due under the Bond Documents following notice from the Indenture Trustee shall constitute an event of default under the Loan Documents (an “Event of Default”). Upon an Event of Default, the Indenture Trustee may declare the principal of the Bonds to be immediately due. Payment of such accelerated principal and interest shall be made by the City at the rate of \$[4] million per month.

Other Terms: Definitive documentation in respect of the Bonds will contain representations, warranties, affirmative and negative covenants, and other terms and conditions to be specified by the parties.

5. CERTAIN OTHER PROVISIONS

Authority to Borrow: Prior to the Closing Date, the City shall have received authorization from the Emergency Loan Board under Section 36a(7) of the Michigan Home Rule City Act.

Governing Law Michigan