

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

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In re : Chapter 9
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CITY OF DETROIT, MICHIGAN, : Case No. 13-53846
:
Debtor. : Hon. Steven W. Rhodes
:
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**STIPULATION FOR AN ORDER RESOLVING
OBJECTIONS TO PROOF OF CLAIM NUMBER 3683 FILED
BY MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT**

The City of Detroit (the "City") and Macomb Interceptor Drain Drainage District ("MIDDD" and, together with the City, the "Parties"), by and through each of their undersigned counsel, stipulate as follows:

1. On July 18, 2013 (the "Petition Date"), the City filed a voluntary petition for relief under chapter 9 of title 11 of the United States Code (the "Bankruptcy Code"), thereby commencing the above-captioned chapter 9 case.
2. On May 5, 2014, MIDDD filed proof of claim number 3683 (the "Claim") against the City asserting liabilities in the amount of not less than \$26 million arising from a complaint (the "Complaint") originally filed in the Circuit Court for the County of Macomb, case number 2013-002589-CZ, alleging causes of action for, among other things, breach of contract, fraud and

misrepresentation in connection with the transfer of certain assets from the City to MIDDD prior to the Petition Date.

3. On May 20, 2014, the City filed the Corrected Objection of the City of Detroit, Pursuant to Sections 105 and 502(b) of the Bankruptcy Code, Bankruptcy Rule 3007 and Local Rule 3007-1, to Proof of Claim Number 3683 Filed by Macomb Interceptor Drain Drainage District By and Through the Macomb County Public Works Commissioner (Docket No. 4954) (the "Claim Objection").

4. On June 18, 2014, MIDDD filed the Macomb Interceptor Drain Drainage District's Response to the City of Detroit's Objection to Proof of Claim Number 3683 Filed by Macomb Interceptor Drain Drainage District by and Through the Macomb County Public Works Commissioner (Docket No. 5421) (the "Response").

5. On September 17, 2014, the City filed the Debtor's Detailed Objection and Affirmative Defenses to Macomb Interceptor Drain Drainage District's Proof of Claim (Docket No. 7554) (the "Supplemental Objection").

6. On October 8, 2014, the City filed the Motion for Summary Judgment Pursuant to Federal Rule of Bankruptcy Procedure 7056 Submitted in Further Support of Its Objection to Macomb Interceptor Drain Drainage District's

Claim No. 3683 (Docket No. 7885) (the "Summary Judgment Motion").

The Summary Judgment Motion remains pending as of the date hereof.

7. On September 16, 2014, the City filed the Seventh Amended Plan for the Adjustment of Debts of the City of Detroit (Docket No. 7502) (as amended, and as it may be further supplemented, modified or amended, the "Plan").¹

8. MIDDD has filed various objections and other papers (collectively, the "Plan Objections") opposing confirmation of the Plan and has actively opposed confirmation of the Plan at the Confirmation Hearing. See, e.g., Docket Nos. 4636, 6666, 7039, 7115, 7612.

9. The City and MIDDD have engaged in extensive negotiations regarding the Claim and the Plan Objections and have reached an agreement (the "Settlement") regarding the liquidation and treatment of the Claim, which Settlement also resolves the Plan Objections.

10. Pursuant to the Settlement, the Parties have agreed as follows:

- (a) This stipulation (the "Stipulation") shall constitute a request by the Parties for approval by the Court of the Settlement pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules").

¹ Capitalized terms not otherwise defined herein have the meanings given to them in the Plan.

- (b) This Stipulation shall be submitted to the Court under a notice of presentment (the "Notice of Presentment") to be filed by the City on Thursday, October 16, 2014 specifying that any objections are due at 10:00 a.m., Eastern Time, on Monday, October 20, 2014, and that a hearing on any such objections will be conducted on Monday, October 20, 2014 at a time to be set by the Court.
- (c) Upon entry by the Court of the order attached to this Stipulation (the "Order"), the Claim, the Complaint, the Claim Objection, the Response, the Supplemental Claim Objection, the Summary Judgment Motion and any other papers filed in connection with the Claim and the Claim Objection shall be deemed resolved.
- (d) Notwithstanding prior orders of the Court, the deadline for MIDDD to respond to the Summary Judgment Motion shall be extended to Friday, October 24, 2014.
- (e) Upon entry of the Order, the Claim shall be allowed in the amount of \$22 million as an Other Unsecured Claim subject to treatment in Class 14 under the Plan.
- (f) The City shall service the New B Notes distributed to MIDDD on account of its Allowed Claim from the City's General Fund and shall not allocate such New B Notes to be serviced by payments received from DWSD.
- (g) Upon entry of the Order, all Plan Objections shall be deemed withdrawn with prejudice.
- (h) Nothing in the Stipulation or the Order shall be deemed to change or otherwise affect MIDDD's vote to reject the Plan.

11. In entering into this Stipulation, it is not the intent of MIDDD to release or compromise any claims against any person or entity other than the

City in any cause of action other than the Complaint; provided, however, that nothing contained in this Stipulation and Order modifies any provision of the Plan.

12. The Parties agree that the Settlement satisfies the standard for approval of a settlement pursuant to Bankruptcy Rule 9019 because:

- (a) Although the City vigorously contests the allegations in the Complaint and the Claim, there is no assurance that the City would prevail in whole or in part on its opposition to the Complaint or the Claim;
- (b) The Claim and the allegations asserted in the Complaint are complex and likely will be expensive to litigate through summary judgment and potentially extensive discovery and trial, as evidenced in part by the discovery schedule through April 1, 2015 set forth by the Court in the Scheduling Order Regarding City's Objection to Proof of Claim No. 3683 Filed by Macomb Interceptor Drain Drainage District (Dkt. #4954) (Docket No. 7836). The City could expend more in resources to oppose the Claim and the Complaint than the value of MIDDD's recovery even if the Claim were allowed in the full amount; and
- (c) The interests of the City and its other creditors are promoted by the Settlement because MIDDD has been an active objector to confirmation of the Plan, and the resolution set forth in this Stipulation removes MIDDD's objections to confirmation of the Plan with prejudice. Accordingly, approval of the Settlement will promote the expeditious conclusion of this chapter 9 case and minimize the attendant expenses to the City to the benefit of all of the City's creditors.
- (d) Accordingly, the Settlement, which was reached with the aid of the court-appointed mediator, provides benefits to the City and all of its creditors that are more favorable than the lowest point in the range of reasonableness.

13. The Parties, therefore, request that the Court enter the proposed Order attached hereto as Exhibit 1 approving this Stipulation.

Dated: October 16, 2014

/s/ Allan S. Brilliant

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ATTORNEYS FOR THE CITY

EXHIBIT 1

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION**

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In re : Chapter 9
: :
CITY OF DETROIT, MICHIGAN, : Case No. 13-53846
: :
Debtor. : Hon. Steven W. Rhodes
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**ORDER RESOLVING OBJECTIONS TO
PROOF OF CLAIM NUMBER 3683 FILED BY
MACOMB INTERCEPTOR DRAIN DRAINAGE DISTRICT**

This matter came before the Court on the Stipulation for an Order Resolving Objections to Proof of Claim Number 3683 Filed by Macomb Interceptor Drain Drainage District (the "Stipulation"),¹ filed by the City of Detroit (the "City") and Macomb Interceptor Drain Drainage District ("MIDDD" and, together with the City, the "Parties"); the Court having reviewed the Stipulation; the Court finding that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b), (c) due and adequate notice of the Stipulation has been provided and

¹ Capitalized terms not defined herein have the meanings given to them in the Stipulation.

(d) no further notice is necessary, (e) approval of the Settlement pursuant to Bankruptcy Rule 9019 is appropriate because (i) there is some probability that MIDDD will succeed in the litigation, (ii) the litigation is expected to be complex, expensive and burdensome on the City and (iii) the interests of the City's other creditors are promoted by the Settlement; and the Court being fully advised in the premises;

IT IS HEREBY ORDERED THAT:

1. The Stipulation is APPROVED pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure.
2. Proof of claim number 3683 filed by MIDDD (the "Claim"), the Complaint, the Claim Objection, the Response, the Supplemental Claim Objection, the Summary Judgment Motion and any other papers filed in connection with the Claim and the Claim Objection are RESOLVED.
3. Pursuant to section 502(b) of the Bankruptcy Code, the Claim shall be allowed in the amount of \$22 million as an Other Unsecured Claim subject to treatment in Class 14 under the Plan.
4. The City shall service the New B Notes distributed to MIDDD on account of its Allowed Claim from the City's General Fund and shall not allocate such New B Notes to be serviced by payments received from DWSD.

5. All Plan Objections are deemed withdrawn with prejudice.
6. Nothing herein shall be deemed to change or otherwise affect

MIDDD's vote to reject the Plan.

CERTIFICATE OF SERVICE

I, Heather Lennox, hereby certify that the foregoing Stipulation for an Order Resolving Objections to Proof of Claim Number 3683 Filed by Macomb Interceptor Drain Drainage District was filed and served via the Court's electronic case filing and noticing system on this 16th day of October, 2014.

/s/ Heather Lennox _____