

**CONTRACT FOR PROFESSIONAL LEGAL SERVICES**

**BETWEEN**

**CITY OF DETROIT, MICHIGAN**

**AND**

**JONES DAY**

**CONTRACT NO. \_\_\_\_\_**

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**CITY OF DETROIT**  
**LEGAL SERVICES CONTRACT**

**This Legal Services Contract** (this "Contract") is entered into between Jones Day (the "Attorney"), and the City of Detroit, a municipal corporation ("City"), acting by and through its Law Department, represented by its Corporation Counsel, in conjunction with the engagement letter dated March 20, 2013 between the Attorney and the City (the "Engagement Letter").

**Recitals:**

Whereas, Section 7.5-201(1) of the City of Detroit Charter empowers the Corporation Counsel to employ an outside attorney as Special Corporation Counsel to represent the City for any particular matter or proceeding; and

Whereas, the Corporation Counsel has determined that it is necessary to retain the Attorney as special counsel to provide the legal services ("Services") described in Section 1 of the Engagement Letter, and the Attorney desires to perform the Services as set forth in this Contract and the Engagement Letter; and

Accordingly, the parties agree as follows:

**1. Engagement of Attorney**

- 1.01 The City engages the Attorney to perform the Services. The Attorney agrees to perform the Services in accordance with the terms and conditions contained in this Contract and the Engagement Letter, consistent with the standard of legal practice in the community. In the event of any conflict between this Contract and the Engagement Letter, the Engagement Letter shall govern.
- 1.02 In the event of a dispute between the parties regarding the extent or character of the Services, the parties will work in good faith to resolve the dispute.
- 1.03 All conferences and consultations deemed necessary by the City for the performance of this Contract shall be included within the scope of Services.
- 1.04 The client under this Contract is the City, and not any other affiliate, officer, official or employee of the City or any other public body.

**2. Time of Performance**

- 2.01 Performance of this Contract shall commence effective as of March 15, 2013 and shall end on September 15, 2013, unless earlier terminated or extended.
- 2.02 The City's Finance Director shall not authorize any payment pursuant to this Contract until the Contract has been approved by the required City departments, the Contract has

been approved by resolution of the Detroit City Council and the Contract is signed by the City's Purchasing Director.

### **3. Information Gathering for the Engagement**

- 3.01 Upon request, the City shall provide to the Attorney without charge all information in its possession ("Information") the City determines is necessary or appropriate for the performance of this Contract. Information includes, but is not limited to, available data, reports, records, interviews, and consultations with City personnel.
- 3.02 The Attorney shall be permitted to visit City offices and facilities, as approved by the City, to obtain necessary Information.
- 3.03 Appropriate conferences and consultations shall be scheduled at convenient times with appropriate City personnel for the purpose of gathering Information.

### **4. Attorney Personnel and Administration**

- 4.01 The Attorney warrants that all professional personnel in its employ ("Associates") and all subcontractors assigned to the performance of the Services are qualified to perform such Services under the state laws and governing professional regulations where such individuals are employed. As used herein the term "subcontractor" means any third party lawyer or law firm retained by the Attorney to provide legal services to the City hereunder as part of the Services, and does not include contracting for non-legal services.
- 4.02 Each Associate utilized by the Attorney in the performance of this Contract shall devote such time, attention, skill, knowledge, and professional ability as are necessary to most effectively and efficiently perform the Services in accordance with the standard of professional practice in the State of Michigan.
- 4.03 The relationship of the Attorney and the Attorney's Associates to the City is and shall continue to be, that of an independent contractor and not an employer/employee relationship. No liability for benefits characteristic of an employer/employee relationship, including but not limited to, workers' compensation, pension rights or liabilities, insurance rights or liabilities, or other provisions or liabilities, arising out of or related to an employer/employee relationship, shall arise or accrue to the City as a result of the Attorney's or the Associates' performance of this Contract. The Attorney agrees to indemnify and hold the City harmless against any claims, including related costs and expenses, for benefits arising out of an employer/employee relationship involving the Attorney or its Associates related to the performance of this Contract.
- 4.04 Upon request of the City, separate and apart from monthly statements of Services, the Attorney shall submit periodic written progress reports delineating work performed and significant events achieved, as agreed by the Attorney and the City. Such reports shall be signed by an authorized representative of the Attorney.
- 4.05 Notwithstanding the provisions of Section 4.04, the Attorney shall inform the City of the status of the Services on a regular basis, and shall inform the City of all material and

significant developments in the subject matter of this Contract as soon as reasonably practicable under all relevant circumstances, including without limitation:

- (a) Probable delays or adverse conditions which do or may prevent accomplishment of the objectives of this Contract. This disclosure shall be accompanied by a statement of any remedial action taken or contemplated by the Attorney.
- (b) Favorable developments or events which enable Contract objectives or time schedules to be accomplished sooner than anticipated.

4.06 Subject to the Attorney's document retention policies, the Attorney shall maintain full and complete books, records, documents, memoranda, notes, correspondence, files, books and accounts (including billing records and expense receipts) that reflect the Attorney's performance of this Contract (collectively, "Records"). Financial Records relating to this Contract shall be kept in accordance with generally accepted accounting practices or other appropriate accounting practices maintained by the Attorney in the normal course of its business.

## **5. Compensation**

- 5.01 The City agrees to pay the Attorney for the proper performance of the Services at the rate set forth in Section 4 of the Engagement Letter in a sum not to exceed \$3,350,000.00 (the "Contract Maximum") unless otherwise agreed by the parties and legally authorized hereunder. It is understood by the parties that the compensation stated above includes any reimbursable expenses ("Reimbursable Expenses") and any and all remuneration of any kind to which the Attorney may be entitled for this engagement. It is further recognized by the parties that the circumstances of this engagement are unpredictable, and the parties may extend the term of this Contract in Section 2.01 and/or increase the Contract Maximum included in this Section 5.01 to the extent that it appears that the Contract Maximum may be exceeded for the Attorney's work. The Attorney's range of hourly rates by category of professional or paraprofessional are set forth on the attached Annex 1.
- 5.02 The City agrees to reimburse the Attorney for the Reimbursable Expenses described in the Engagement Letter that are actually incurred in connection with the proper performance of the Services. Expenses outside the categories described in the Engagement Letter shall not be reimbursed by the City unless such charges are reasonable and are incurred after written approval is given by the City.
- 5.03 The City shall have the right to examine and review all Records of the Attorney that are necessary to permit adequate evaluation of the Services performed, or the charges for time or the requests for Reimbursable Expenses submitted by the Attorney; *provided that* the confidentiality of other materials maintained by the Attorney (including proprietary information and the files of other clients) is strictly maintained. The Attorney shall include a similar covenant allowing for City review in any contract the Attorney has with a subcontractor, consultant or agent whose services are retained specifically for, and will

be charged directly to, the City. The City may delay payment to the Attorney pending the results of any such review without penalty or interest.

## **6. Method of Payment**

- 6.01 Payment for the proper performance of this Contract shall be contingent upon receipt by the City of accurate, complete and timely invoices from the Attorney. The invoice shall state the cost of all Services for the subject billing period and the total cost of the Services rendered to date. The invoices shall also itemize the date of each Service performed, the name of the attorney or other person who performed the Service (each item should refer to only one person), a brief description of the Service performed, the amount of time expended on performing the Service and each expenditure or charge for which reimbursement is sought.
- 6.02 The Attorney's invoice for each month of Services shall be submitted to the City within sixty (60) days of the rendering of such Services. If the invoice requests payment or reimbursement for Reimbursable Expenses, the appropriate receipts for such Reimbursable Expenses shall be attached, if so requested by the City.
- 6.03 Invoices and reports shall be directed to the attention of the Corporation Counsel as specified in the Notice provisions contained in Article 15 of this Contract.
- 6.04 Payment for Services provided under this Contract is governed by the terms of Ordinance No 42-98 entitled "Prompt Payment of Vendors", being Sections 18-5-71 through 18-5-79 of the 1984 Detroit City Code.

The City employee responsible for accepting performance under this Contract and from whom payment should be requested is:

Corporation Counsel  
City of Detroit Law Department  
2 Woodward Avenue, Suite 500  
Detroit, Michigan 48226-3535  
Telephone: (313) 237-3031  
Facsimile: (313) 224-5505

- 6.05 The City acknowledges and agrees that the Attorney is not acting as a federal contractor or subcontractor or as a federal grant recipient or subrecipient and that no federal funds will be used to make any payments to the Attorney in connection with this Contract.

## **7. Indemnity**

- 7.01 The Attorney agrees to indemnify and hold the City harmless against any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses (including, without limitation, reasonable fees and expenses for attorneys, expert witnesses and other consultants at the prevailing market rate for such services) which may be imposed upon, incurred by, or asserted against, the City by reason of any of the following:

- (a) Any tortious act, error, or omission attributable in whole or in material part to the Attorney or any of the Attorney's Associates, now existing or hereafter created.
- (b) Any failure by the Attorney or any Associate to perform their obligations under this Contract.

For the avoidance of doubt, nothing in this Section 7.01 or any other provision of this Contract shall impose upon the Attorney or its Associates any obligation or duty inconsistent with the ethical and professional standards applicable to the Attorney and its Associates.

- 7.02 The Attorney agrees that it is the responsibility of the Attorney and not the responsibility of the City to safeguard City property and material that is in the Attorney's possession and used by the Attorney or its Associates in the performance of this Contract. Further, the Attorney agrees to indemnify and hold the City harmless against costs and expenses resulting to the City from any loss of such property or material.

## **8. Insurance**

- 8.01 During the term of this Contract, the Attorney shall maintain at all times at the Attorney's sole expense the following insurance coverage placed with an insurance carrier or carriers licensed to conduct business in Michigan and rated "A" or better by Bests, or with a risk retention group that is subject to Public Act 214 of 1989, MCL 500.1801, *et seq.*, as amended:

- (a) Professional liability (errors and/or omissions) insurance with minimum limits of One Million Dollars (\$1,000,000.00) per occurrence and Three Million Dollars (\$3,000,000.00) in the aggregate.
- (b) Workers' Compensation Insurance which meets Michigan statutory requirements.

- 8.02 The insurance coverage described in Section 8.01 shall name the Attorney as the insured. In the event the Attorney receives notice of policy cancellation, the Attorney shall immediately notify the City of same in writing. Certificates of insurance evidencing the coverage described in Section 8.01 shall, in a form acceptable to the City, be submitted to the Corporation Counsel prior to the commencement of the Services and at least fifteen (15) days prior to the expiration dates of expiring policies.

- 8.03 The City acknowledges that the Attorney has provided the City with Certificates of Insurance providing satisfactory proof of insurance that complies with this Article 8, and the Attorney shall be in compliance with this Article 8 as long as that insurance remain in place.

## **9. Termination**

- 9.01 The City may terminate this Contract with or without cause at any time as set forth in the Engagement Letter by giving written notice to the Attorney of such termination ("Notice of Termination"). The Notice of Termination shall specify the effective date of

termination, at least three (3) calendar days prior to the effective date of such termination, and this Contract shall terminate in all respects as if such date were the date originally given for the expiration of this Contract.

9.02 Except to the extent (a) otherwise directed by the City, (b) required by ethical and professional standards applicable to the Attorney and its Associates or (c) required by order of a court or other tribunal, the Attorney shall do the following after receipt of a Notice of Termination:

- (a) Stop work under the Contract on the date and to the extent specified in the Notice of Termination.
- (b) Obligate no additional Contract funds for payroll costs and other costs beyond such date as the City shall specify.
- (c) As of the date the termination is effective, promptly provide all Records to the City, as requested. The Attorney shall safeguard and maintain the Records consistent with its document retention policies and applicable ethical and professional standards.
- (d) Submit within sixty (60) days a final report of receipts and expenditures of funds relating to this Contract.
- (e) For each pending lawsuit in which the Attorney has entered an appearance under this Contract, notify the court in writing that the Attorney is no longer the attorney of record and advise the court to address all correspondence to the Corporation Counsel.

9.03 Within seven (7) calendar days following the Notice of Termination, all the Attorney's finished or unfinished original (or copies when originals are unavailable) documents, data, studies, briefs, memoranda, drawings, maps, models, photographs, files, intermediate materials, supplies, notes, reports or other materials (collectively "Work Product") prepared by the Attorney under this Contract or in anticipation of this Contract shall be delivered to the City free from any claim or reservation of rights thereto on the part of the Attorney.

9.04 In the event of termination of this Contract, access to the Work Product prior to delivery to the City shall be restricted to duly authorized representatives of the City and the Attorney. The Attorney shall have no right to disclose or use any information gathered in the course of performance under this Contract without obtaining the written concurrence of the City. All such information shall be regarded as confidential and handled in such a manner at all times as to preserve confidentiality. The Attorney acknowledges that the Work Product, as well as any products and materials related thereto, are proprietary to the City, having been developed for the sole use of the City.

9.05 Without limiting any of the other obligations in this Article 9, all intellectual property and other know-how developed by the Attorney in connection with this engagement, including subject matter expertise, whether or not preserved in written or electronic form,




may be retained by the Attorney (e.g., by retaining a copy of relevant Records), subject in all cases to the confidentiality provisions of Article 12 hereof.

#### **10. Assignment or Subcontracting**

- 10.01 The Attorney shall not assign, encumber or transfer any interest in this Contract and shall not transfer any interest in this Contract without the prior written consent of the City. Any such consent given in any one instance shall not relieve the Attorney of its obligation to obtain the prior written consent of the City to any further assignment, encumbrance or transfer.
- 10.02 None of the Services covered by this Contract shall be subcontracted without the prior written approval of the City. The Attorney agrees to indemnify and hold the City harmless against any claims against the City arising out of subcontracts entered by the Attorney and the subcontractor in the performance of this Contract.
- 10.03 This Contract shall inure in all particulars to the benefit of the City and its agents, successors, assigns and all other associated, affiliated or subsidiary entities, now existing, or hereafter created.

#### **11. Conflict of Interest**

- 11.01  The Attorney shall devote all of the time which may be reasonably required for the proper performance of the Services to be rendered to the City pursuant to this Contract. However, the Attorney shall not be prevented or barred by this Contract from accepting other employment herein specified. The City is aware that the Attorney represents, or may represent, clients in matters in which the interests of such clients are adverse to the City or its departments, boards or agencies. The Attorney covenants: that the Attorney has fully disclosed or will fully disclose the nature of these conflicts to the City before undertaking or continuing a representation of such clients; that the Attorney obtained or will obtain appropriate written waivers from the City with respect to such conflicts before undertaking or continuing a representation of such clients; that the Attorney has undertaken, or may undertake, the representation of specific clients and subject matters that are the subject of such waivers; and that such conflicts do not and will not affect the Attorney's ability to perform the Services provided under this Contract, *provided that*, if any actual conflicts are identified or arise, after consultation, the City will use separate conflicts counsel in specific matters, and the Attorney will not participate in those matters. If the City grants the Attorney a waiver for a specific client and subject matter pursuant to this Section 11.01, the City will not later hold the Attorney in default of this Contract for undertaking representation of such client with regard to the specific subject matter for which the waiver was granted as long as the Attorney continues to comply with the Michigan Rules of Professional Conduct.
- 11.02 The Attorney further covenants that no officer or employee of the City, and no other public official who exercises any responsibility in the review or approval of the engagement or the performance of this Contract, has any personal or financial interest, direct or indirect, in the Contract or in the proceeds thereof.

- 11.03 The Attorney warrants that no persons have been, or will be, employed to solicit or secure this Contract upon any agreement or arrangement for payment of a commission, percentage, brokerage, or contingent fee, either directly or indirectly. If the Attorney or its Associates breaches this warranty, the City may, at its option, terminate this Contract without penalty, liability, or obligation, or may deduct from any amounts owed to the Attorney hereunder, the amounts of any such commission, percentage, brokerage or contingent fee.
- 11.04 It is recognized that the Attorney may engage in legal services for other clients to the extent that the rendering of such services does not conflict with the Services to be performed under this Contract.
- 11.05 It is further recognized that during the term of this Contract, the City may contract with other attorneys providing the same or similar Services.

## **12. Confidential Information**

- 12.01 In order that the Attorney may effectively fulfill its obligations to the City under this Contract, it may be necessary or desirable for the City to disclose confidential and proprietary information pertaining to the City's past, present and future activities. Since it is difficult to separate confidential and proprietary information from that which is not, the Attorney and its Associates shall regard all information gained as confidential and proprietary to the City and such information shall not to be disclosed to any organization or individual without the prior written consent of the City. The above obligation shall not apply to information already in the public domain or information required to be disclosed by a court order.
- 12.02 The Attorney shall take appropriate action to ensure that all its Associates comply with this policy of non-disclosure of confidential information.

## **13. Amendments**

- 13.01 The City may consider it in its best interest to change, modify or extend a term or condition of this Contract; or the City may request the Attorney to perform additional services. Any such change, extension or modification which is mutually agreed upon by the City and the Attorney shall be incorporated by written amendments to this Contract. Such amendments shall not invalidate this Contract nor relieve or release the Attorney or the City from any of their respective obligations under this Contract.
- 13.02 No amendment to this Contract shall be effective and binding upon the parties unless it expressly makes reference to this Contract, is in writing, is signed and acknowledged by duly authorized representatives of both parties, is approved by the appropriate City departments and the Detroit City Council, and signed by the Purchasing Director.

## **14. Fair Employment Practices**

- 14.01 The Attorney shall comply with the United States Constitution, the State of Michigan Constitution and all federal, state and local legislation and regulations governing fair

employment practices and equal employment opportunity, *provided that*: (a) the Attorney shall not be required to comply with any affirmative action provision or related employee data gathering or auditing requirements by virtue of entering into this Contract; (b) neither federal Executive Order 11246, nor any other similar order or regulation, whether federal, state or local, including without limitation the Federal Acquisition Regulations, shall apply to the engagement of the Attorney; and (c) the Attorney shall not be required to comply with any provision prohibiting inquiries to applicants about criminal convictions except with respect to the future employment of individuals hired specifically and solely for the purposes of fulfilling the terms of this Contract.

- 14.02 The Attorney agrees that all subcontractors hired to provide Services hereunder will be notified of the obligations relating to nondiscrimination under this Contract when they are solicited and will include the provisions of this Article in any subcontract, as well as provide the City with a copy of any subcontract agreement.

### **15. Notices**

- 15.01 All notices and communications under this Contract shall be given in writing, addressed as follows and mailed by first-class mail:

If to the Attorney:                      Jones Day  
   North Point  
   901 Lakeside Ave.  
   Cleveland, Ohio 44114-1190  
   Attention: David G. Heiman, Esq.

If to the City:                                City of Detroit  
   Law Department  
   2 Woodward Avenue, Suite 500  
   Detroit, Michigan 48226-3535  
   Attention: Corporation Counsel

- 15.02 All notices shall be deemed given on the day of mailing. Either party to this Contract may change its address for the receipt of notices at any time by giving notice thereof to the other as herein provided. Any notice given by a party hereunder must be signed by an authorized representative of such party.
- 15.03 Termination notices, change of address notices or other notices of a legal nature shall be sent by certified mail, postage prepaid, return receipt requested.

### **16. Miscellaneous**

- 16.01 The failure by a party to insist upon the strict performance of any term of this Contract or to exercise any right, term or remedy consequent upon a breach thereof shall not constitute a waiver of any breach of such Contract. The waiver of any breach shall not affect or alter this Contract, and each and every covenant, agreement, term and condition of this Contract shall continue in full force and effect.

- 16.02 If any provision of this Contract, or its application to any person or circumstances, shall be judicially determined to be invalid or unenforceable, the remainder of this Contract shall not be affected thereby, and each provision of this Contract shall be valid and enforceable to the fullest extent permitted by law.
- 16.03 This instrument and the Engagement Letter contain the entire agreement between the parties, and all prior negotiations and agreements are merged herein. Neither party has made any representations except those expressly set forth in this Contract and the Engagement Letter, and no rights or remedies are, or shall be, acquired by either party by implication unless expressly set forth in this Contract or the Engagement Letter.
- 16.04 Unless the context otherwise expressly requires, the words "herein", "hereof" and "hereunder", and other words of similar import refer to this Contract as a whole and not to any particular article, section or other subdivision.
- 16.05 The headings of the sections in this Contract are for convenience only and shall not be used to construe or interpret the scope or intent of this Contract or in any way affect the same.
- 16.06 The rights and remedies set forth in this Contract are not exclusive and are in addition to any of the rights or remedies provided by law or equity.
- 16.07 This Contract, and all actions arising hereunder, shall be governed by the laws of the State of Michigan.
- 16.08 The Attorney submits to the personal jurisdiction of any competent court in Wayne County, Michigan, for any action arising out of this Contract.
- 16.09 The Attorney agrees that it will not commence any action against the City because of any matter arising out of this Contract in any state or federal court of competent jurisdiction other than one in Wayne County, Michigan.
- 16.10 The Attorney covenants that the Attorney is not and will not become in arrears to the City upon any obligations to the City including, without limitation, real property, personal property and income taxes, and water, sewage or other utility bills.
- 16.11 As used in this Contract, the singular shall include the plural, the plural shall include the singular.
- 16.12 For purposes of the hold-harmless provisions contained in this Contract, the term "City" shall be deemed to include the City of Detroit, its officers, agents and employees, and all other associated, affiliated or subsidiary entities, now existing, or hereafter created and their officers, agents and employees.
- 16.13 The City shall have the right to recover by setoff from any payment owed to the Attorney all delinquent withholding, income, corporate and property taxes owed to the City by the Attorney, any amounts owed to the City by the Attorney under this Contract or other contracts, and any other debt owed to the City by the Attorney.

The City and the Attorney, by and through their duly authorized officers and representatives, have executed this Contract as follows:

1. Shannon M. Smith


Attorney  
By: [Signature]  
(Signature)

2. Alushe.

1. Daniel A. Magurek  
2. Jane M. Daniels

By: [Signature]

APPROVED BY LAW DEPARTMENT  
PURSUANT TO SECTION 7.5-206 OF THE  
CHARTER OF THE CITY OF DETROIT:

 4/2/13  
Corporation Counsel Date

Date \_\_\_\_\_

11

# JONES DAY

51 LOUISIANA AVENUE, N.W.  
WASHINGTON, D.C. 20001.2113

STEPHEN J. BROGAN  
MANAGING PARTNER

TELEPHONE: +1.202.879.3939  
FACSIMILE: +1.202.626.1700  
WRITER'S DIRECT NUMBER:  
202.879.3926

March 20, 2013

## VIA OVERNIGHT DELIVERY AND ELECTRONIC MAIL

Mayor David Bing  
Mayor's Office  
Coleman A. Young Municipal Center  
2 Woodward Avenue, Suite 1126  
Detroit, Michigan 48226

Re: Employment of Jones Day

Dear Mayor Bing:

This letter confirms our recent discussions concerning the scope, terms, and conditions of Jones Day's engagement by the City of Detroit (the "City" or "you") as restructuring counsel. Following our exchange of correspondence dated February 27, 2013 and March 5, 2013, the direction and scope of the engagement has been refined through our discussions (including with representatives of the City on March 15, 2013), as described herein. This letter will control the scope and terms of our retention. In addition, attached are the clearances and certifications required by the City, including our certificate relating to city taxes.

Our engagement takes account of, and will be conducted in accord with, the actions of the State of Michigan and the Local Emergency Financial Assistance Loan Board under Michigan Public Acts 72 and 436 (as applicable), and the attendant allocation of responsibilities and powers to the Emergency Financial Manager or Emergency Manager (in either case, the "Emergency Manager").

Thank you for retaining Jones Day (the "Firm" or "we") in this engagement and for your consideration and cooperation concerning the matters covered in this letter.


### 1. Scope of Engagement and Client Relationship

We understand that a primary objective for the City is to restructure its existing debt and other financial obligations in such a way as to avoid a bankruptcy filing if possible. Consistent

ALKHOBAR • ATLANTA • BEIJING • BOSTON • BRUSSELS • CHICAGO • CLEVELAND • COLUMBUS • DALLAS • DUBAI  
FRANKFURT • HONG KONG • HOUSTON • IRVINE • JEDDAH • LONDON • LOS ANGELES • MADRID • MEXICO CITY  
MILAN • MOSCOW • MUNICH • NEW DELHI • NEW YORK • PARIS • PITTSBURGH • RIYADH • SAN DIEGO  
SAN FRANCISCO • SÃO PAULO • SHANGHAI • SILICON VALLEY • SINGAPORE • SYDNEY • TAIPEI • TOKYO • WASHINGTON

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with that objective, we also understand that, while subject to change as noted below, we will operate on a timeline that contemplates planning and potential negotiations relating to a financial restructuring over the next five months. As described below, we will perform the work necessary for restructuring planning and negotiations (the "Core Restructuring Work") for a monthly capped fee. The Core Restructuring Work is comprised of: (a) performing a restructuring analysis of the financial obligations of the City in consultation with the City and its other professionals, (b) assisting in the development of an operating plan for the City, (c) preparing initial restructuring proposals, and (d) participating in restructuring negotiations with key stakeholders with the goal of reaching agreements on a consensual out-of-court restructuring.



We recognize that the situation facing the City is a dynamic one. As such, currently unanticipated developments may occur that could affect the nature and scope of our work and require that we adjust the engagement and/or the billing arrangements in consultation with you. In addition, the Core Restructuring Work and related capped fee arrangement do not include all of the services that the Firm will be called upon to provide to the City. For example, and for the avoidance of doubt, the Core Restructuring Work does not include any of the following: (a) any work related to pension Certificates of Participation and related swap and insurance agreements, other than legal analysis relating to restructuring planning and restructuring negotiations with the relevant stakeholders; (b) any work or analysis concerning Michigan Public Acts 72 and 436, the power and authority of the Emergency Manager, or any challenges thereto; (c) any litigation or investigation of any kind, including labor or pension disputes, any challenges to the Emergency Manager or related statutes, any internal departmental evaluation, or any other City dispute before any tribunal or authority; (d) litigation, transactional, or other matters relating to the Detroit Water and Sewerage Department, including with respect to the Clean Water Act case pending before Judge Cox in the United States District Court for the Eastern District of Michigan; (e) contingency planning for a potential chapter 9 bankruptcy filing by the City, or the conduct or administration of any chapter 9 case; (f) any legislative activities; (g) any asset dispositions, privatizations, or other similar transactions, or any other capital raising transactions; and (h) any transactions necessary to implement a negotiated financial restructuring, such as new debt instruments, new labor contracts, or other agreements beyond restructuring term sheets. These additional activities may be performed by the Firm at the request of the City subject to the terms herein.

We have agreed that any new or expanded engagement beyond that described herein will require our agreement. In addition, our client is, and we are entering into an attorney-client relationship only with, the City. Any representation of any person or entity other than the City, such as any affiliate, officer, official, or employee of the City or any other public body, will require our agreement. We understand that you have advised such other parties that our representation is only of the City.

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In performing our services hereunder, we will report to and take direction from the Emergency Manager (or his designee) during his tenure. If at any point an Emergency Manager is not in office, we will report to and take direction from the Mayor (or his designee).

2. Staffing

I will have overall primary responsibility for this engagement. I will work closely with David Heiman, Bruce Bennett, Corinne Ball, and Heather Lennox, who together will lead all planning activities and will coordinate all work for this engagement. This oversight group will be assisted by such other lawyers and service personnel as appropriate from time to time to provide high quality services in a cost-efficient manner. We will work closely with the Emergency Manager (or his designee) during his tenure to coordinate on these matters. In addition, we will provide periodic reports of our progress in this engagement, as requested by the City.

3. Conflicts of Interest

The City is a large and complex enterprise with many commercial and other relationships. Similarly, Jones Day is a large firm that represents and in the future will represent many other clients, including large financial institutions. Some of Jones Day's other clients may have, or develop, interests adverse to the City. It is even possible that, during the time we are working for you, an existing or future client may seek to engage us in connection with an actual or potential transaction or pending or potential litigation or other dispute resolution proceeding in which such client's interests are or potentially may become adverse to the City's interests (although not on matters directly related to our engagement hereunder).

We will promptly inform the City of any client relationships that may raise conflict concerns as such matters are identified over the course of our engagement. We will work with the City to address any actual conflicts as circumstances require. If necessary or appropriate, after consultation, the City will use separate conflicts counsel in specific matters, and the Firm will not participate in those matters.

In any event, Jones Day will not represent any person or entity in any matter adverse to the City with respect to the matters subject to the scope of this engagement, and will not represent any person or entity in any matter adverse to the City without its express written consent. The City acknowledges that the Firm may provide legal services for other clients to the extent that the rendering of such services does not conflict with the services to be performed hereunder.

We further state that no officer or employee of the City, and no other public official who exercises any responsibility in the review or approval of this engagement or our performance hereunder, has any personal or financial interest in this engagement or in the proceeds thereof.



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4. Compensation and Disbursements

Our discussions have confirmed the need for the City to move forward promptly to address a possible restructuring on a timeline that likely will require that the Firm perform its restructuring analysis, planning, and negotiations in a more compressed time frame than originally contemplated. As you may be aware, our fees generally are determined by the time devoted by each lawyer or other service provider involved in the engagement and the hourly billing rates assigned to each such person. To address the timeline and accomplish the necessary restructuring work, Jones Day's fees for the Core Restructuring Work will be subject to a cap of \$475,000 per month for the period from March 15, 2013 through the earlier of August 31, 2013 or the commencement of a chapter 9 case by the City (the "Initial Monthly Fee Cap"). Work on any projects outside the Core Restructuring Work will be charged at regular hourly rates without regard to the Initial Monthly Fee Cap. Effective on the earlier of August 31, 2013 or the commencement of a chapter 9 case by the City, the Initial Monthly Fee Cap shall no longer apply.

Please note that our hourly rates are revised periodically, typically effective January 1, and we reserve the right to revise them from time to time during the course of our representation of the City. We submit periodic billing statements (generally monthly), which are due and payable upon presentation. All hourly fees will be charged in quarter-hour increments consistent with our regular practice. Each invoice will state the cost of all services for the billing period and the total cost of the services rendered to date. Consistent with our normal practice, each invoice will include the date of each service performed, the name of the attorney or other person who performed the service, a brief description of the service performed, the amount of time expended on performing the service and each expenditure or charge for which reimbursement is sought. Invoices will be submitted within 60 days of our performance of services; *provided, however*, that some expense reimbursement requests may be billed later due to delays in the normal billing cycle for these expenses.

Unless we specifically agree, any fee estimate that we may provide is not a commitment to perform the services within a fixed time or for a fixed fee.

In addition to our fees, we expect our clients to defray certain costs and expenses incurred during our representation of them. A description of our Billing Policies for Disbursements and Charges is attached. Please note that although our charges for non-cash costs incurred by the Firm reflect our good faith estimate of our actual, fully absorbed, out-of-pocket costs, those estimates may differ from our actual costs. Normally, disbursements and charges will be subject to reimbursement from the City in the regular billing cycle. In some circumstances, however, such as in the case of particularly large items, we may ask the City to pay these items directly or in advance. Notwithstanding anything to the contrary in our Billing Policies for Disbursements and Charges, (a) in-house photocopying rates shall not exceed \$0.20 per page, (b) reimbursement for long distance fax charges will be sought only when the transmission was requested by the

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March 20, 2013  
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City, and (c) staff overtime will not be billed unless approved in advance by the City. The City will not be charged for any of the costs related to Jones Day's preparation, processing, or transmission of its invoices.

The City acknowledges and agrees that the Firm is not acting as a federal contractor or subcontractor or as a federal grant recipient or subrecipient and that no federal funds will be used to make any payments to the Firm in connection with this engagement.

5. Audit Letter Issues

We further want to advise you that, in responses to any of your requests to provide information to your auditors, our policy is to comply with the American Bar Association Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information regarding the scope and content of such responses, except when such Policy is clearly inapplicable.

6. Confidentiality; Termination; Return of Documents; Intellectual Property

The Firm will maintain all nonpublic information received from the City as confidential and proprietary to the City, and such information shall not be disclosed to any organization or individual without the prior written consent of the City or as may be required by law.

Jones Day acknowledges that the City may terminate its engagement hereunder at any time upon advance written notice, and the City shall be obligated only to pay for Jones Day's services provided and expenses incurred through the date of termination, plus the fees and expenses of any work that is necessary or appropriate to transfer any active matters to new counsel.

Unless previously terminated, our representation of the City will terminate upon our sending you our final statement for services rendered in this matter. In that case, or otherwise at your request, any papers and property sent by you to us will be returned to you. Our own files pertaining to the matter, including lawyer work product and administrative records, as well as document copies, will be retained by the Firm in accordance with our document retention policies and subject to the confidentiality commitments above. All documents retained by the Firm will be transmitted in the ordinary course to the person responsible for administering our records retention program. Subject to our obligations under applicable bar requirements, we reserve the right to destroy or otherwise dispose of any documents or other materials, including electronic versions, retained by us after the termination of the engagement.

All intellectual property and other know-how developed by us in connection with this engagement, including subject matter expertise, whether or not preserved in written or electronic form, may be retained by us and used in connection with engagements on behalf of other clients, so long as no confidential information relating to the City is thereby disclosed.

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7. Governing Law

The laws of the State of Michigan, without regard to conflict of law rules, shall govern the interpretation of this agreement.

Please sign and return to us the enclosed copy of this letter to confirm that it accurately reflects the scope, terms, and conditions with respect to this engagement. Once countersigned, our engagement will be effective as of March 15, 2013. If you would like to discuss any of these matters, please do not hesitate to call me.


Sincerely,



Stephen J. Brogan

On behalf of the City of Detroit, the undersigned confirms that this letter accurately reflects the scope, terms, and conditions with respect to this engagement and that the undersigned's execution and delivery of this confirmation on behalf of the City of Detroit has been duly authorized by the City of Detroit.

Dated: 4/2, 2013

Signature: 

Name: Edward V. Keelean

Title: Asst. Corp. Counsel

Attachments

cc: Gov. Richard D. Snyder (w/ attachments)  
Edward Keelean, Esq. (w/ attachments)



## Billing Policies for Disbursements and Charges

**Computer Research Services.** The actual charges to the Firm from Lexis, Westlaw, and other on-line computer research services for research done in connection with specific client matters are billed to the client.

**Copying.** Copying charged to the client includes documents, exhibits, and other papers that are filed with a court or administrative agency; documents produced for the client at its request and/or convenience; and documents produced as may be required by other parties in relation to litigation or transactions. Clients are billed \$.20 per page for non-color photocopying and \$1.00 per page for color photocopying done at the Firm. The actual charges to the Firm for outside, third-party duplication services used for specific client matters are billed to the client. Documents required for the Firm's use only are charged to the Firm.

**Courier Services.** The Firm utilizes an overnight "pouch" service among its offices, both foreign and domestic; clients are not charged for deliveries through the pouch service. Courier services such as Federal Express are used when the circumstances of specific client matters dictate the need for such service. Clients are billed for the actual charges to the Firm for any such courier service.

**Electronic Databases.** Clients are billed actual charges from the external vendor hosting services we use to store and maintain computer databases and electronic versions of such materials as court filings, transcripts, case dockets and calendars, correspondence, discovery materials, and deposition or trial exhibits. The Firm does not maintain such electronic databases internally.

**Food Services.** When food services are required to enhance the efficient handling of specific client matters, clients are billed the actual cost of the food and/or beverages plus the expense of the food service personnel or service providers who serve the food and/or beverages.

**Long Distance Telephone and Facsimile Services.** Clients are not charged for local calls/facsimiles, interoffice calls/facsimiles, or calls/facsimiles costing less than \$1.00. Clients are billed for audio and video conference calls.

**Messenger Services.** Clients are billed for messenger services required for specific client matters at the actual rates charged by outside delivery services or the Firm's out-of-pocket expenses for bus fares, cabs, and similar items when Firm personnel are used.

**Postage (U.S. Mail).** Clients are not billed for postage when the amount on a particular mailing is less than \$1. Standard rates are charged for all postage over \$1 and for large mailings done on behalf of the client even when individual item postage is under \$1 as well as for special postal services, e.g., Express Mail, Special Delivery, and Certified and Registered Mail.

**Special Services.** A client and the Firm may agree that certain special services are required, in connection with a specific matter, such as litigation support, extraordinary office supplies, temporary agency paralegals, project assistants or other staffing, video/audio production services/equipment, off-site location, imaging services, off-hour HVAC and related expenses, and document production services requiring trained personnel and specialized equipment. Before the client is billed for any such services, the client and Firm must agree on the type, scope, and cost of the services.

**Staff Overtime.** Staff overtime costs are billed to clients only when the overtime staff services are for the convenience of the client, rather than the convenience of the Firm. In such circumstances, clients are billed for the Firm's costs of providing the staff overtime, including actual overtime compensation (and a factor for benefits expenses) and necessary meal and transportation costs.

**Travel.** Clients are billed for travel charges (including, for U.S. travel, a \$40 transaction charge covering a portion of the contracted cost of arranging air travel) incurred by Firm personnel for specific client matters. For domestic travel, we use coach fare only unless the client has authorized first or business class. We expect our lawyers to incur only reasonable meal, lodging, and other travel costs.

**Other Charges.** We prefer that third-party charges (e.g., consultants, court reporters, etc.) incurred on behalf of a client be billed directly to the client by the third party. If this is not possible, such charges are passed through at cost.

**ANNEX 1**

**Range of Jones Day U.S. Rates**  
As of March 15, 2013

CLASSIFICATION	BILLABLE HOURLY RATE
Partners and of Counsel	\$425.00 - \$1,050.00
Counsel and Associates	\$250.00 - \$775.00
Paralegals and Project Assistants	\$100.00 - \$350.00

CITY ACKNOWLEDGMENT

STATE OF MICHIGAN )  
 ) SS  
COUNTY OF WAYNE )

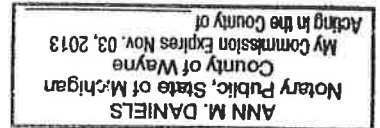
The foregoing contract, was acknowledged before me the 2nd day of April, 2013, by Edward V. Keelean, the Corporation Counsel for the City of Detroit, Michigan, a municipal corporation on behalf of the City.

Ann M. Daniels

Notary Public, Wayne County

State of Michigan

My commission expires:



**LAW FIRM ACKNOWLEDGMENT**

STATE OF Washington DC )  
COUNTY OF District of Columbia ) SS

The foregoing contract was acknowledged before me the 1<sup>st</sup> day of April, 2013,  
by

Michael R. Shumaker

(name of person who signed the contract)

the Firm Administrative Partner

(title of person who signed the contract as it appears on the contract)

of Jones Day

(complete name of the Law Firm)

on behalf of the Firm, a Partnership

(identify type of entity)



Jamie M. Tris  
Notary Public, District of Columbia  
County,  
State of DC  
My commission expires: 1-1-2018

**PARTNERSHIP  
CERTIFICATE OF AUTHORITY**

I, Michael R. Shumaker, do hereby certify that I am the Firm Administrative Partner of Jones Day, a general partnership formed for the practice of law under the laws of Ohio (the "Partnership"). I further certify that I have been authorized by Stephen J. Brogan, the Managing Partner of Jones Day, pursuant to Article 3 of the Partnership Agreement governing the Partnership, to:

(a) execute and deliver, in the name of and on behalf of the Partnership, the Contract for Professional Legal Services between the City of Detroit, Michigan and the Partnership (the "Contract"); and

(b) thereby commit the Partnership to the conditions, obligations, stipulations and undertakings contained in the Contract.

IN WITNESS THEREOF, I have set my hand this 1st day of April, 2013

A handwritten signature in black ink, appearing to read 'Michael R. Shumaker', with a long horizontal line extending to the right.

Michael R. Shumaker  
Firm Administrative Partner