



Press Release

City of Detroit • Mike Duggan, Mayor

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Detroit Board of Water Commissioners Approves Plan to Refinance \$5 Billion in Bonds

The Detroit Board of Water Commissioners (BOWC) today overwhelmingly approved the issuance of two **Offers to Tender** outstanding water and sewer bonds. Under the Tender offer, owners of Detroit Water and Sewerage Department (DWSD) bonds would be given the opportunity to voluntarily tender their bonds for repurchase by DWSD. In turn, DWSD could refinance up to \$ 5,183,940,000 of system debt as follows:

- 1) \$2,750,809,000 of Sewage Disposal System Bonds consisting of \$1,805,620,000 Senior Lien Revenue and Revenue Refunding Bonds and \$945,180,000 Second Lien Revenue and Revenue Refunding Bonds; and
- 2) \$2,433,140,000 of Water Supply System Bonds consisting of \$1,803,940,000 Senior Lien Revenue and Revenue Refunding Bonds and \$629,200,000 Second Lien Revenue and Revenue Refunding Bonds.

In effect, this transaction has the potential to significantly lower the interest rate on existing DWSD bonds, reduce DWSD's debt service costs, reduce risks and transaction costs, and enhance the Department's future cost of borrowing. The savings to DWSD customers could be in the millions.

"We think this opportunity provides benefits to the DWSD system and our customers. I am glad that we were able to work cooperatively with the State and the Emergency Manager to provide this opportunity for our bondholders," said Jim Fausone, Chairman of the Board of Water Commissioners. "Our action today represents the first step towards a potential amicable resolution that is good for the customers, bondholders, the City, the financial industry and for the system. We hope this step will be positively received by all involved."

Detroit Mayor Michael Duggan is supportive of the action taken by the BOWC.

Individuals who wish to sell their bonds back to the City must advise the City in writing of their intent on or before 5 p.m. Eastern Daylight Savings Time on August 21, 2014. The next day, August 22,

2014, the City will advise bondholders whether or not their offers are accepted and the City's intent to repurchase their bonds.

The Offer to Tender represents a voluntary market-based alternative to the pending Plan of Adjustment's proposed treatment of DWSD bonds in the City's bankruptcy proceedings. Currently, the Plan of Adjustment would eliminate the call protection or reduce the interest rate on certain classes of Water and Sewer Bonds.

The chance to offer this opportunity to the marketplace arose out of collaborative discussions between the Department, the State of Michigan, Department of Treasury, the Emergency Manager, the Michigan Finance Authority (MFA), Citi Group and First Southwest Company related to a proposed MFA conduit financing of DWSD's capital needs.

As those discussions progressed, risks related to the Department's future cost of borrowing prompted consideration of alternatives. However, because the option for current DWSD bond owners to tender their bonds is optional, the success of this offer depends on sufficient market response and bondholder participation to realize sufficient savings for the Department.

If there are sufficient savings, and the BOWC elects to purchase the tendered bonds, a condition of that purchase is that DWSD bonds identified as unimpaired in the Plan of Adjustment remain unimpaired. DWSD Bonds currently identified as impaired under the Plan of Adjustment will, upon the closing of the tender, be treated under the Plan of Adjustment as unimpaired. If savings do not occur, the City retains discretion to reject the tender and proceed under the current provisions of the Plan of Adjustment.

Additional information and disclosure documents can be obtained from the Bondholder Communication Group at: www.bondcom.com/dwsd

For additional information, contact Terry Stanton, Administrator, Communications Division Michigan Department of Treasury at (517) 335.2167 or stantont@michigan.gov

DWSD supplies high-quality drinking water to Detroit and 127 other communities in southeast Michigan. The Department provides wastewater services to Detroit and 76 other southeast Michigan communities.

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