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1 IN THE UNITED STATES BANKRUPTCY COURT
2 EASTERN DISTRICT OF MICHIGAN
3 SOUTHERN DIVISION
4
5 -----X
6 :
7 In re : Chapter 9
8 CITY OF DETROIT, MICHIGAN, : Case No. 13-53846
9 Debtor. : Hon. Steven W. Rhodes
10 -----X
11
12 The videotaped deposition of GAURAV
13 MALHOTRA, called for examination, taken pursuant to
14 the Federal Rules of Civil Procedure of the United
15 States District Courts pertaining to the taking of
16 depositions, taken before JULIANA F. ZAJICEK, CSR No.
17 84-2604, a Certified Shorthand Reporter of said State
18 of Illinois, at the offices of Jones Day, Suite 3500,
19 77 West Wacker Drive, Chicago, Illinois, on
20 September 20, 2013, at 9:30 a.m.
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23
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1 APPEARANCES:
2 JONES DAY,
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4 Washington, D.C. 20001-2113,
5 202-897-3939), by:
6 MR. GEOFFREY S. STEWART,
7 gstewart@jonesday.com;
8 MR. CHRISTOPHER DiPOMPEO,
9 cdipompeo@jonesday.com,
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11 appeared on behalf of the Debtor
12 and the witness;
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14 LATHAM & WATKINS LLP,
15 (355 South Grand Avenue,
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18 MR. WAYNE S. FLICK,
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21 appeared telephonically on behalf of
22 Ernst & Young;
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24 DENTONS,
25 (233 South Wacker Drive, Suite 7800,
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28 MS. LEAH R. BRUNO,
29 leah.bruno@dentons.com;
30 MS. MELISSA A. ECONOMY,
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33 appeared on behalf of Retirees Committee;
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35 COHEN WEISS AND SIMON LLP,
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1 APPEARANCES: (Continued)
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9 appeared on behalf of AFSCME;
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15 MR. JOHN R. STEVENSON,
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18 appeared telephonically on behalf of the
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21 System of the City of Detroit;
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35 Birmingham, Michigan 48009,
36 248-646-8292), by:
37 MR. RYAN C. PLECHA,
38 rplecha@lippittokeefe.com,
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40 appeared telephonically on behalf of the
41 Detroit Retired Police and Fire Fighters
42 Association, Detroit Retired City
43 Employees Association, Don Taylor,
44 individually and as president of the
45 RDPFFA, and Shirley Lightsey, individually
46 and as president of the DRCEA;

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1 APPEARANCES: (Continued)
2 STROBL & SHARP, P.C.,
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4 Bloomfield Hills, Michigan 48304-2376,
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11
12 REPORTED BY: JULIANA F. ZAJICEK, C.S.R.
13 CERTIFICATE NO. 84-2604.
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1 MS. BRUNO: Do you want to swear in the witness.
2 (WHEREUPON, the witness was duly
3 sworn.)
4 MS. BRUNO: Good morning, Mr. Malhotra. My name
5 is Leah Bruno. I am at the Dentons firm representing
6 the Committee. And we are here to take your
7 deposition today.
8 Before we go into the preliminaries, I'm
9 going to ask that everyone in the room and on the
10 phone just identify themselves for the record.
11 We'll start to my left.
12 MR. STEELE: Jason Steele from Lowenstein
13 Sandler. I represent AFSCME.
14 MR. DiPOMPEO: Christopher DiPompeo from Jones
15 Day. We represent the Debtor, the City of Detroit,
16 and the witness.
17 MR. STEWART: Jeff Stewart, Jones Day, the
18 Debtor and the witness.
19 THE WITNESS: Gaurav Malhotra. Ernst & Young.
20 MS. BRUNO: That's everybody in the room. So if
21 the people on the phone want to give it a try.
22 MR. FLICK: This is Wayne Flick from Latham &
23 Watkins, unfortunately stuck in Los Angeles due to
24 flight problems.

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1 (WHEREUPON, there was a short
2 interruption.)
3 MS. BRUNO: Why don't we pick up where we left
4 off.
5 MR. FLICK: This is Wayne Flick from Latham &
6 Watkins on behalf of Ernst & Young.
7 MR. DeCHIARA: Peter DeChiara from Cohen, Weiss
8 & Simon, LLC on behalf of the International Union,
9 UAW.
10 MR. STEVENSON: John Stevenson from Clark Hill
11 on behalf of the Police and Fire Retirement System of
12 the City of Detroit and the General Retirement System
13 of the City of Detroit.
14 MR. PLECHA: Ryan Plecha from Lippitt O'Keefe
15 representing the Retiree Association parties.
16 MS. TAUNT: Meredith Taunt from Strobl & Sharp
17 representing the Retired Detroit Police Members
18 Association.
19 MS. BRUNO: Is that everyone on the phone?
20 MS. KAUFMAN: This is Dana Kaufman from Weil
21 Gotshal & Manges representing Financial Guaranty
22 Insurance Company.
23 MS. BRUNO: Okay. If that's everyone, we'll
24 move forward, finally, here.

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1 GAURAV MALHOTRA,
2 called as a witness herein, having been first duly
3 sworn, was examined and testified as follows:
4 EXAMINATION
5 BY MS. BRUNO:
6 Q. Mr. Malhotra, I understand that you were
7 deposed recently, so I know you've been through the
8 drill, but we'll just set a couple of the ground rules
9 here.
10 If I ask you any questions that you don't
11 understand, please ask me. I'm not trying to trick
12 you. I want us to understand one another. So if you
13 need me to clarify any of my questions, I'm happy to
14 do so.
15 When responding to any questions that I
16 ask you, please wait for me to finish the question and
17 respond with a verbal answer so the court reporter can
18 get your answer and we can have an accurate
19 transcript.
20 Do those sound okay to you?
21 A. Yes.
22 Q. Okay. What did you do to prepare for your
23 deposition today?
24 A. I had a call with the team here at -- from

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1 Jones Day and Latham & Watkins a couple of days ago
2 for about an hour and a half.
3 Q. Was anyone from the City, a non-lawyer on
4 the call?
5 A. No.
6 Q. Let me backtrack.
7 Anyone not at Jones Day or Latham &
8 Watkins on the call?
9 A. From EY, I think we had somebody attending
10 from our general counsel's office, Marg Hosbach, yes.
11 Q. I'm sorry. Who was that?
12 A. Marg Hosbach is her name.
13 Q. Thank you.
14 Anyone else?
15 A. No.
16 Q. And how long was that call?
17 A. About an hour and a half.
18 Q. What did you discuss during that
19 conversation?
20 MR. STEWART: Objection; instruct him not to
21 answer.
22 MR. FLICK: Join.
23 BY MS. BRUNO:
24 Q. What day did you have that call?

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1 A. We had it on Wednesday of this week.
2 Q. Did you review anything in preparation for
3 today?
4 A. For today?
5 Q. Yes.
6 A. I looked at my declaration and I think
7 that's generally about it, in terms of reviewing
8 information for today.
9 Q. Did you review your prior deposition?
10 A. No.
11 Q. Have you seen your prior deposition?
12 A. I think I received it, but I haven't gone
13 through it.
14 Q. Have you reviewed any of the other
15 depositions taken in this matter?
16 A. In this matter?
17 Q. In this bankruptcy.
18 A. I have received them. I haven't gone
19 through them.
20 Q. Have you discussed the testimony given
21 with anyone -- excuse me. Let me rephrase that.
22 Have you discussed the contents of those
23 depositions with anyone?
24 MR. STEWART: You can answer yes or no.

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1 BY THE WITNESS:
2 A. No.
3 BY MS. BRUNO:
4 Q. I've read your prior deposition, so I'm
5 going to endeavor not to tread the same ground that
6 you've already covered. There may be some overlap due
7 to necessity, but I am going to do my best not to ask
8 you the same series of questions and cover the same
9 territory as previously discussed of you. So, if you
10 give me a little leeway, I will do my best not to
11 waste your time today. Okay.
12 I understand that you -- that was your
13 first deposition two weeks ago, is that correct?
14 A. That is correct.
15 Q. And have you ever provided sworn testimony
16 in any setting outside of a deposition?
17 A. No.
18 Q. Your deposition on September 9th was the
19 first time you've provided any type of sworn testimony
20 in a bankruptcy proceeding?
21 A. Yes.
22 Q. Are there instances where you have
23 submitted written reports in other bankruptcies?
24 MR. STEWART: Can you define so he is clear what

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1 you mean by "report"?
2 BY MS. BRUNO:
3 Q. A written declaration or report on behalf
4 of your corporation that you are working for.
5 A. I think so. I don't recall off the top of
6 my head, but I have other bankruptcy cases that are
7 ongoing where I have submitted written reports or --
8 yeah, specific information that is pertinent to the
9 case or -- or Ernst & Young's engagement in connection
10 with a case. So, I don't know if that's what you are
11 referring to with specific questions on sworn
12 testimony, but I have provided specific information in
13 other Chapter 11 cases that I'm involved in.
14 Q. Focusing on Chapter 9 bankruptcies, can
15 you tell me what Chapter 9 bankruptcies you have
16 provided such information in?
17 A. None.
18 Q. Is this the first Chapter 9 bankruptcy
19 you've done work on?
20 A. Yes.
21 Q. Before your work for the City of Detroit
22 in this matter, do you have experience with working
23 with other governmental clients?
24 A. I do.

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1 Q. Approximately how many?
2 A. I would say the most relevant one is
3 Detroit public schools.
4 Q. Are there others besides Detroit Public
5 Schools?
6 A. I am involved in other situations that are
7 in the public sector currently.
8 Q. Can you tell me what those are?
9 A. No. Those are confidential.
10 Q. You have not been disclosed publicly in
11 any of those matters?
12 A. That is correct.
13 Q. Outside of the City of Detroit matter, are
14 there -- and the ones that you are working on
15 currently, are there any other governmental clients
16 you have done work for?
17 A. Personally, no. I think those are the
18 ones that -- that I can recall.
19 Q. Focusing on the Detroit Public Schools,
20 what type of work did you personally do on that
21 matter?
22 A. I think the -- our engagement letter and
23 the contents thereof are what we did at Detroit Public
24 Schools. The overall specific scope is I would

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1 believe generally confidential. However, I can give
2 you a broad understanding that it was generally
3 related to liquidity forecasting and looking at
4 different assumptions with respect to cost saving
5 measures, and I think that's all I will say on that.
6 Q. Is that engagement still ongoing?
7 A. I'd rather not answer that.
8 Q. When did that engagement begin?
9 A. It was in 2011, is my recollection. It
10 could have been earlier, but that's my general
11 recollection.
12 Q. Mr. Malhotra, I'm going to direct you to
13 your declaration, which was previously marked as
14 Exhibit 1 in your prior deposition.
15 Do you have a copy of it or would you like
16 me to provide it to you?
17 A. I would like you to provide it to me,
18 please.
19 (WHEREUPON, the document was tendered
20 to the witness.)
21 BY MS. BRUNO:
22 Q. Directing your attention to Paragraph 6,
23 Mr. Malhotra, you are describing some of your
24 experience in Paragraph 6. And the second sentence

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1 states, "In addition, in the public sector, I was
2 involved in the recent restructuring efforts of
3 Detroit Public Schools," as you previously testified,
4 that's correct, correct?
5 A. Yes.
6 Q. Is there any other experience outside of
7 Detroit Public Schools that you can publicly disclose?
8 A. In the government sector?
9 Q. In the public sector.
10 A. In the public sector, I would not want to
11 disclose any of the other engagements.
12 Q. And those are all engagements that are
13 currently ongoing?
14 A. Up to a certain extent, yes, there is work
15 that's pending or about to get initiated or in certain
16 cases, certain aspects have been completed, but in
17 general, yes.
18 Q. Paragraph 7 of your declaration states
19 that you were engaged by the City in May of 2011,
20 correct?
21 A. That's what it states, yes.
22 Q. Is that an accurate statement?
23 A. Yes.
24 Q. How was that engagement undertaken?

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1 MR. STEWART: Objection.
2 BY MS. BRUNO:
3 Q. My -- what I'm trying to get to, was there
4 an RFP or how were you contacted about that engagement
5 initially?
6 A. It was based on the work we did at Detroit
7 Public Schools is the way that we had discussions with
8 the Mayor's office, with the State Treasurer's office
9 and thereby our engagement or our work got initiated
10 with respect to liquidity forecasting.
11 Q. I just need some clarification on your
12 answer.
13 When you say that you had discussions with
14 the Mayor's office and the State Treasurer's office,
15 were those discussions related to Detroit Public
16 Schools or are these new discussions that were
17 initiated with respect to the City of Detroit
18 bankruptcy?
19 A. The latter.
20 Q. The latter?
21 A. I'm sorry. Nothing related to the
22 bankruptcy. It was related to the City of Detroit.
23 Just to clarify, it wasn't related to the City of
24 Detroit bankruptcy.

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1 Q. Correct.
2 And what was the nature of those
3 discussions? Can you give me so more information?
4 A. Sure. It was generally to see how -- how
5 EY could help with looking at the City's liquidity
6 position and helping forecast what the liquidity
7 position could be over a short period of time.
8 Q. Approximately when were those discussions?
9 When did those discussions take place?
10 A. I think it was right around this
11 particular timeframe, around the May of 2011, is my
12 recollection.
13 Q. Who were those discussions -- who did
14 those discussions involve? Did they -- from the
15 Ernst & Young side, did they involve you?
16 A. Yes.
17 Q. Or someone else?
18 A. Me.
19 Q. You solely or you in addition to other
20 people?
21 A. It was generally myself.
22 Q. On the side of the City, who was involved
23 in those initial discussions?
24 A. Now we are going back some time, but I

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1 would think it would have been the former Chief of
2 Staff Kirk Lewis, it would have been the former Chief
3 Operating Officer Chris Brown. I think those are the
4 folks at least I remember. It could have been the
5 Mayor, but I don't recall at this juncture.
6 Q. And can you give me some more detail on
7 what you understood your engagement would include in
8 those initial discussions?
9 A. Sure. It was just to get an understanding
10 of what the City's cash flow position was and what the
11 short-term outlook for the City's liquidity
12 projections could look like.
13 Q. Was there any discussion about the
14 prospect of the City filing Chapter 9 bankruptcy in
15 those initial discussions?
16 A. No.
17 Q. Prior to entering into the engagement, was
18 there any formal presentation or pitch provided by
19 Ernst & Young?
20 A. I do not recall.
21 Q. If there was one, would you have been part
22 of it?
23 A. Yes.
24 Q. Mr. Malhotra, I'm going to hand you what

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1 we're going to mark as Exhibit 8.
2 MR. TEELE: I'm sorry. What number?
3 MS. BRUNO: 8.
4 (WHEREUPON, a certain document was
5 marked Malhotra Deposition
6 Exhibit No. 8, for identification, as
7 of 09/20/13.)
8 BY MS. BRUNO:
9 Q. And you can take your time to look at this
10 document. I'm going to ask you some questions about
11 it. Let me know when you are ready to proceed with
12 some questions.
13 A. Sure. I'm ready.
14 Q. Mr. Malhotra, I'll represent to you that
15 I've handed you what is titled Amendment No. 7 to
16 Statement of Work.
17 Can you tell me what this document is?
18 A. This is our most recent engagement letter
19 with the City.
20 Q. And reviewing the introductory paragraph,
21 it is clear that there was an original agreement,
22 correct?
23 A. That is correct.
24 Q. And that this is Amendment No. 7 to that

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1 original agreement, correct?
2 A. That is correct.
3 Q. In your prior deposition, there was a
4 request made for the production of the original
5 engagement letter.
6 Do you recall that?
7 A. Possibly. I don't recall specifically
8 because there were a lot of requests, but this -- I
9 assume this is the engagement letter you are referring
10 to, but if there is more, probably --
11 MR. STEWART: It was memorialized in a letter
12 you responded to.
13 THE WITNESS: Okay.
14 BY MS. BRUNO:
15 Q. Mr. Malhotra, I'll represent to you this
16 is the only document that we've been able to locate
17 with respect to the Ernst & Young engagement, so I'm
18 going to have to use this to kind of backtrack because
19 I don't have a copy of the original engagement letter.
20 A. Sure.
21 Q. And we'll request that an additional
22 effort be made to produce that to your counsel.
23 MR. STEWART: If you could, just do that in a
24 letter after we are done, so otherwise it gets

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1 confusing to try and go back to the transcript.
2 MS. BRUNO: We will do that.
3 BY MS. BRUNO:
4 Q. Can you tell me, Mr. Malhotra, in the
5 original SOW or original agreement, was there similar
6 to what's in this a bullet point listing of the items
7 that would be included in the original statement of
8 work?
9 A. Yes.
10 Q. Who drafted the specific items that would
11 be involved in the original statement of work?
12 A. It would have been myself along with the
13 rest of the team.
14 Q. When you say "the rest of the team," who
15 are you referring to?
16 A. I would say the rest of the EY team that
17 would have gone through all of our quality review team
18 that looks at any scope of work with respect to what
19 we are putting out in general would be the folks from
20 our EY standpoint.
21 Q. How is that process, and what I'm
22 referring to is the identify -- let me start over.
23 How does that process work, and I'm
24 talking about the identification of the specific

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1 elements of the statement of work, what was the
2 process used in this matter?
3 MR. STEWART: Objection.
4 BY THE WITNESS:
5 A. In -- well, maybe if I can give you
6 specifics, so in terms of how this statement of work
7 is put together, which in general is the process that
8 we go through for any statement of work, is that we
9 highlight what work the client may require and what
10 work we may be -- what we will be willing to do.
11 Generally the statement of work is sometimes then, of
12 course, all reviewed by other members of the team in
13 terms of the deal team. It is reviewed by our general
14 counsel's office, unless they are -- unless the
15 amendments are fairly basic in nature are generally
16 just extending some of the prior work, but it's
17 reviewed by our quality review folks. And then the
18 engagement letter is submitted to the client for --
19 for what they need to sign on, not necessarily are all
20 aspects of the scope of work defined with any sort of
21 a specific deliverable. So sometimes there are
22 components of a statement of work that are not
23 undertaken and sometimes they are -- and most of the
24 times they are, but, so, I don't know if that answers

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1 your question or not.
2 Q. That's part of it. And I was interested
3 in that, so that's helpful.
4 But where I'm trying to get to, is there a
5 negotiation process with, for example, in this case
6 the City where you provide the original statement of
7 work and they come back to you and say, we want this
8 or we don't want that? Did that process take place in
9 this engagement?
10 A. I'll tell you at least with respect to
11 this particular statement of work, there was feedback
12 that we received in the context of fees, but not
13 necessarily in the context of the scope of work.
14 Q. And I'm seeking a clarification here.
15 Are you talking about Amendment No. 7 or
16 are you talking about the original statement of work
17 or the original agreement?
18 A. I was talking about Amendment No. 7.
19 Q. Okay.
20 A. But in general, going back, I don't recall
21 of specific discussions or back and forth in terms of
22 the contents of the scope of work. I have not gone
23 through the seven amendments going back for this
24 process, but I'm sure there would be certain aspects

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1 of that statement of work, of the different statements
2 of work that would have been completed in its entirety
3 and there would be certain that wouldn't have been
4 kicked off at all, depending on these are long-term
5 engagements and the needs of the client change over a
6 course of time.
7 Q. If you look to the first sentence of the
8 Amendment No. 7, Statement of Work, halfway through it
9 states -- I want to make sure I give you the right
10 dates here before -- well, I have a couple of
11 questions.
12 So, in this case, Amendment No. 7 is dated
13 July 17th, is that correct?
14 A. That's correct.
15 Q. But it's effective as of June 1st?
16 A. That is correct.
17 Q. Which is approximately six weeks prior,
18 correct?
19 A. Yes.
20 Q. What is the reason for that lapse of time?
21 Why is it essentially backdated or effective as of a
22 prior date?
23 A. Because our work that is involved in the
24 statement of work started right around the June 1st

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1 timeframe. And -- but, however, between the process
2 of getting the actual engagement letter signed, it
3 took roughly that six weeks process. But in general,
4 the work that's contained in Amendment No. 7 started
5 by around that June 1st timeframe.
6 Q. What was the cause for the six-week time
7 delay?
8 A. It likely was between us getting the
9 letter together and the City having a view in terms of
10 what the fees associated with this work would be and
11 us coming back with a revised proposal on lower fees.
12 And so I think it was -- it was that timeframe between
13 the back and forth of the discussions that took place
14 to get the engagement letter signed.
15 Q. There is a fee schedule amended -- or
16 attached to this amendment, is that correct?
17 A. Yes.
18 Q. And it's at page -- what is marked page 8
19 of 8 in this document.
20 Are these the fees that you were
21 discussing with the City?
22 A. Yeah, these were -- these were the fees
23 that we were discussing with the City, yes.
24 Q. And then based on the information in this

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1 Amendment No. 7, I understand these are 65 percent
2 Ernst & Young's normal rates, is that correct?
3 A. These are 65 percent of the standard
4 rates, yes.
5 Q. Of the standard rates?
6 A. Of the standard rates with respect to, you
7 know, different people and the different sub service
8 lines working on this engagement.
9 Q. And I know that you are a principal,
10 Mr. Malhotra, so is your rate at the top end of this
11 chart here?
12 A. Yes.
13 Q. Is your rate \$805 an hour?
14 A. I believe the rate that is being charged
15 to the City is going to be \$800 an hour for my time.
16 And, however, it is subject to an additional holdback
17 amount that is clarified in the fee arrangement as
18 proposed here depending on how long this case goes.
19 Q. Is this rate schedule a reduction from the
20 rates that Ernst & Young was charging the City prior
21 to this amendment?
22 A. Can you reask that question, please?
23 Q. Is this rate schedule provided in the
24 Amendment No. 7, is this a reduction in the rates that

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1 Ernst & Young was charging the City prior to the
2 Amendment No. 7?
3 A. Through the seven amendments, Ernst &
4 Young has gone through a variety of discounts and rate
5 structures that the City has been provided, in
6 addition to hourly rates, in addition to fixed fee
7 rates. So it's a variety of overall rate structures
8 that have been used to provide the City discounts in
9 the context of the work that EY has done.
10 Q. Who on behalf of Ernst & Young negotiates
11 those rates?
12 A. Negotiates those rates with whom?
13 Q. I assume the City. Is there someone else?
14 A. No. I meant if your question was
15 internally or in terms of what rates are being
16 discussed or externally?
17 If the answer is internally, our rates are
18 standard rates. With the client, it was generally a
19 discussion that I had with respect to what our fees
20 were after discussing them with our team internally.
21 Q. And who at the client have you had those
22 discussions with?
23 A. It has been a variety given the fact that
24 we've been assisting the City for a while. It has

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1 been a variety of folks. It included the Chief
2 Operating Officer Chris Brown; it included the
3 Emergency Manager, currently Kevyn Orr, with respect
4 to some of those discussions in general, in fact. So
5 it -- it has been generally the City, but I would say
6 in terms of Amendment No. 7, the -- we also got some
7 feedback from the State with respect to our scope of
8 work in the context of our fees.
9 Q. What feedback did you get from the State
10 on Amendment No. 7?
11 A. It was to lower the fees.
12 Q. And who at the State did you have that
13 contact with?
14 A. Rich Baird.
15 Q. Amendment No. 7 is signed by Kevyn Orr,
16 correct?
17 A. Yes.
18 Q. And this is your signature on the -- on
19 page 7, correct?
20 A. Yes.
21 Q. Who signed the original statement of work,
22 do you recall?
23 A. I do not. It would have either been
24 myself or Dave Williams who is our restructuring team

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1 leader. It could have been either one of us, but I
2 don't recall.
3 Q. On behalf of the City, who signed?
4 A. I do not remember.
5 Q. Did there -- when you entered into the
6 original engagement, who was your direct report at the
7 City?
8 A. It was the Chief of Staff Kirk Lewis, and
9 the Chief Operating Officer -- the former Chief
10 Operating Officer Chris Brown.
11 Q. Did there come a time where that direct
12 reporting person changed?
13 A. Kirk Lewis has since moved on and so has
14 Chris Brown. So the answer is yes.
15 Q. When did it change in terms of who you
16 reported to?
17 A. It would have changed when they moved on
18 from the City.
19 Q. And when they moved on from the City, who
20 became the people that you reported directly to?
21 A. Generally it was Chris Andrews, the
22 Program Management Director, and the -- who was the
23 former Program Management Director and the former
24 Chief Financial Officer Jack Martin.

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1 Q. How often would you directly communicate
2 with any of the people you directly reported to, the
3 four individuals you just named?
4 A. It was on a weekly basis in general,
5 sometimes more often, sometimes less.
6 Q. And let me ask: Are you still directly
7 reporting to Chris Andrews and Jack Martin or someone
8 else?
9 A. Chris Andrews and Jack Martin have moved
10 on from the City. So, now it's generally Kevyn Orr
11 along with updates given to Gary Brown who is the
12 Chief Operating Officer and Jim Bonsall, the Chief
13 Financial Officer, and Kevyn Orr, of course, in terms
14 of the team that we are dealing with.
15 Q. And how frequently do you directly
16 communicate with those individuals?
17 A. Generally weekly, sometimes more,
18 sometimes less. It depends on a particular week.
19 Q. If I can direct your attention back to the
20 first paragraph of Amendment No. 7, it states that the
21 original contract is dated October 28th, 2011, but was
22 effective as of May 16th, 2011.
23 What was taking place during that
24 five-month time period with respect to the original

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1 statement of work?
2 A. I don't recall specifically. However, our
3 work started right around May 16th of 2011. But
4 between the process of getting an engagement letter in
5 place that was acceptable to the City and in
6 conjunction with the template that Ernst & Young uses
7 with respect to an engagement letter, there was a lot
8 of communication between, I would say, the legal team
9 at the City and EY and the attorneys that we had
10 working on this particular engagement letter to just
11 make sure that both the City and Ernst & Young were
12 comfortable with the construct of the letter given the
13 fact that EY did not have a previous engagement letter
14 in place with the City of Detroit.
15 Q. We discussed -- earlier in your deposition
16 we discussed the process of drafting and exchanging
17 the specific deliverables identified in Amendment
18 No. 7.
19 Do you recall that testimony?
20 A. Can you repeat that question again,
21 please?
22 Q. You and I just previously discussed the
23 back and forth between Ernst & Young and the City with
24 respect to the specific deliverables identified in

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1 Amendment No. 7 here.
2 Do you recall taking me through that
3 process?
4 A. I think if you go back to the testimony, I
5 just want to make sure that I understand your specific
6 questions in terms of the back and forth. I did
7 mention to you that there was discussions with respect
8 to the fees, but I do not recall a lot of the specific
9 back and forth on specific deliverables in
10 Amendment 7.
11 Q. Okay. I'm not trying to trick you.
12 A. I'm just saying what I recall.
13 Q. And so what I guess is the real question
14 I'm getting to was: In the original statement of
15 work, is there a similar listing as contained on
16 Amendment 7 deliverables or anticipated deliverables
17 that E&Y would provide to the City?
18 A. I believe they should be, yes.
19 Q. And do you recall whether there was a
20 negotiation or process of exchanging the documents for
21 purposes of discussing the deliverables between
22 Ernst & Young and the City, with respect to the
23 original SOW?
24 A. In terms of exchanging documents

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1 between -- discussions within EY or discussions with
2 EY and the City?
3 Q. Discussions between EY and the City.
4 A. I don't remember specifically in terms of
5 we had discussions back and forth around specific
6 deliverables. I think there was a general
7 understanding in terms of the work that EY would do,
8 which would be around construct of the -- the
9 liquidity forecasting and any other cost saving
10 assumptions, trying to quantify those. And I don't --
11 I don't believe there was a lot of back and forth with
12 respect to scope of work that EY was going to assist
13 with.
14 Q. And, of course, there are six amendments
15 prior to the one that we're looking at now.
16 Does each of those amendments have a
17 similar listing of deliverables?
18 A. They generally -- every amendment would
19 generally have either an extension of a scope of work
20 that's being provided or if anything new is --
21 potentially needs to get added, it would have, yes.
22 Q. In this case does each of the prior
23 amendments, to the best of your recollection, have a
24 similar listing of deliverables or anticipated

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1 deliverables by Ernst & Young?
2 A. Just to make sure, when you say "similar
3 deliverables," whether those deliverables or the
4 statement of work was exactly the content of what's in
5 Amendment No. 7, the answer is no. If your question
6 is with respect to whether generally some specificity
7 around what EY would be doing, the answer is yes.
8 Q. Okay. Thank you. That is what I meant.
9 What was the reason why Ernst & Young
10 provided these six prior amendments?
11 A. It's generally to provide the same or
12 similar type of work that we started off doing with
13 liquidity forecasting, assisting in the quantification
14 of certain cost concessions that the City was having
15 discussions with -- with its union leadership, looking
16 at alternatives in terms of how liquidity could be
17 boosted, and that those were generally -- and just
18 looking at overall restructuring alternatives
19 specifically for the City in terms of how to address
20 the dire financial position that the City was faced
21 with.
22 Q. Let me ask the question a different way.
23 How does it come about, and we'll talk
24 specifically about this engagement, how does it come

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1 about that Ernst & Young, or if it's the City, tell me
2 that, how does it come about that a decision is made
3 that an amendment needs to be made to the original
4 SOW?
5 A. It was generally when the timeframe
6 associated with an amendment was expiring or the fees
7 associated with an amendment were not -- were not
8 being able to cover the scope of work and if there
9 were any additions that were being made to the scope
10 of work. I would say those were the three -- or would
11 have been, in my recollection, one of the three
12 reasons why a statement of work would be extended
13 through an amendment.
14 Q. With your experience on this engagement,
15 is it -- has it been Ernst & Young stating an
16 amendment is necessary or is it -- has it been the
17 City?
18 A. My general recollection is that it's EY
19 that has been -- that has said that either, you know,
20 the timeframe on the engagement letter has expired,
21 and which has generally been, I would say, the -- the
22 norm, or the aspect with respect to the fees need to
23 change in the context of the scope of work. But I
24 would say it is generally EY.

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1 Q. If I can direct your attention to page 5
2 of the Amendment 7 SOW. And you'll see a section
3 entitled Timetable. And it states that you expect
4 that this -- and this is the additional summer 2013
5 services that are identified in this SOW, is that your
6 understanding?
7 A. Yes.
8 Q. That it will extend until December 31st,
9 2014, is that correct?
10 A. Yes.
11 Q. Do you anticipate an Amendment No. 8 being
12 necessary?
13 A. That's a hypothetical question. It
14 depends on what the City -- where the City is in terms
15 of its overall restructuring and, you know, how EY can
16 continue to add value and assist the City.
17 Q. Turning to page 6 -- I'm sorry. I'm
18 sorry. Page 4 is what I wanted to send you to.
19 The last sentence on the bottom of page 4
20 states, "For the avoidance of doubt, the Services do
21 not" -- and Services with a capital S -- "do not
22 include EY serving as an expert witness in connection
23 with your Chapter 9 proceedings or otherwise."
24 Do you see that?

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1 A. Yes.
2 Q. And that is referring to -- the Services
3 in that sentence are referring to the services
4 identified above it and in this Amendment No. 7,
5 correct?
6 A. Yes.
7 Q. Are you currently providing work to --
8 scratch that. Let me strike that.
9 Is your deposition here today considered
10 part of the services included in Amendment No. 7?
11 A. I'm here, so my -- my assumption unless,
12 you know, Wayne Flick from Latham tells me otherwise,
13 that would be my general understanding, it would be in
14 connection with the work that we are doing on the
15 statement -- the Amendment No. 7.
16 Q. Are there any services being provided by
17 Ernst & Young to the City right now that you are aware
18 of that fall outside of the services identified in
19 Amendment No. 7?
20 A. I do not know of any other specific
21 increment -- additional statements of work that have
22 been executed. There are other opportunities that EY
23 is providing some services to the City. However, it's
24 not -- that work is just in an evaluative mode versus

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1 I believe I do not know of a specific letter or an
2 amendment that has been signed yet.
3 Q. I want to understand your answer a little
4 better.
5 This additional work that you state is in
6 an evaluative mode, is that work that E&Y is providing
7 in connection to the bankruptcy?
8 A. Well, I can tell you what the work is. It
9 is not necessarily in connection with the bankruptcy.
10 The work is to look at the revenues that are
11 attributable to the City from the Detroit-Windsor
12 Tunnel and our team I believe is starting to look at
13 that. I do not know if we have a specific signed
14 letter yet, but our team is starting to look at that
15 just to make sure the City is -- whether the City is
16 getting its proportionate share of the revenues that
17 come from the Detroit-Windsor Tunnel. That's the one
18 that sort of, you know, is top of mind.
19 From an evaluative perspective, the City
20 is -- and EY is looking at other ways that they can
21 continue to assist the City.
22 Q. And would you consider that work that E&Y
23 is undertaking with respect to the Detroit-Windsor
24 Tunnel, would you consider that work to be something,

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1 a separate line of work than what you are doing on
2 behalf of the City with respect to Amendment No. 7?
3 A. I think it would generally be in line with
4 the work that we would be doing. However, what we
5 always want to provide clarity and specificity around
6 the work stream. So it would generally be in line
7 with the services in Amendment No. 7. However, we
8 would always clarify and specify that these would be
9 the specific items we would be undertaking because
10 they are not necessarily clearly articulated in the
11 scope of work.
12 Q. Approximately how much money has the City
13 paid Ernst & Young to this date in connection with
14 this engagement?
15 MR. STEWART: Are you referring to the entire
16 engagement or No. 7?
17 BY MS. BRUNO:
18 Q. The entire engagement.
19 A. I do not know the exact number right now,
20 but it is somewhere in the neighborhood of 6-1/2 to \$7
21 million.
22 Q. Returning back to that last sentence on
23 page 4 of 8, do you consider what you are doing today
24 as providing expert testimony?

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1 MR. STEWART: Objection; asking for a legal
2 conclusion.
3 BY MS. BRUNO:
4 Q. You can answer.
5 A. No.
6 Q. Are you aware of any individual at Ernst &
7 Young who would be serving as an expert to the City?
8 MR. STEWART: Objection; same objection.
9 Do you mean an expert as defined by the
10 Federal Rules?
11 MS. BRUNO: I mean an expert as defined in
12 Amendment No. 7.
13 MR. STEWART: So why don't you ask him what that
14 means in Amendment No. 7.
15 BY THE WITNESS:
16 A. Could you ask your question again, please?
17 BY MS. BRUNO:
18 Q. Sure. That question is actually better.
19 What does Ernst & Young mean when they
20 state, "For avoidance of doubt, the Services do not
21 include Ernst & Young serving as an expert in
22 connection with the Chapter 9 proceedings"?
23 A. I think the -- what it says is that EY is
24 basically providing its services in connection with

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1 the facts that EY has and our professionals have and
2 our team has in terms of providing services for
3 Chapter 9. And so it's -- we are sort of assisting
4 this overall situation in the context of the overall
5 facts as have been provided to us and that information
6 that has been provided to us, which is what we have
7 used to prepare the analysis.
8 MS. BRUNO: I'm about to go to a new area. Do
9 you want to take a quick break?
10 MR. STEWART: Let's keep going unless others
11 need a break.
12 MS. BRUNO: All right. Is that all right with
13 you, Mr. Malhotra?
14 THE WITNESS: Sure.
15 BY MS. BRUNO:
16 Q. Okay. Why don't we turn back to your
17 declaration, which is Exhibit 1.
18 And I'll direct your attention to what is
19 provided at Paragraph 10 of the declaration, which is
20 on page 4. And this paragraph discusses the cash flow
21 forecasts.
22 Who developed the actual forecast at
23 Ernst & Young?
24 A. It was a team of EY professionals in

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1 collaboration with the team at the City and other
2 advisers that the City has retained in the preparation
3 of these cash flow forecasts.
4 Q. Were you personally involved in that work?
5 A. Yes.
6 Q. And who was personally -- who are the
7 individuals that you worked with at the City on that
8 work?
9 A. The City or EY?
10 Q. At the City.
11 A. At the City, it would have been the former
12 Chief Financial Officer Jack Martin, it would have
13 been the former Program Management Director Chris
14 Andrews, it would have been one of the controllers, I
15 think Rick Drumb, it would have been other members
16 from specific departments that the EY team
17 collaborated with in order to prepare those cash flow
18 forecasts and also used assumptions from what was the
19 information being provided by the other advisers the
20 City had hired.
21 Q. What are the underlying demographic
22 assumptions for the City in the revenue forecasting?
23 MR. STEWART: Objection.
24 BY THE WITNESS:

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1 A. You have to repeat that question or
2 rephrase it in terms of the demographic assumptions.
3 BY MS. BRUNO:
4 Q. In terms of the population of the City.
5 A. The general assumptions are that there is
6 a slight population decline in the context of the
7 revenue assumptions, but I think you have to look at
8 the demographics in a greater amount of detail which
9 has been provided on the City's data site with respect
10 to the assumptions around growth of revenues from
11 residents versus non-residents in terms of the makeup
12 of the order of revenue profile.
13 Q. I guess I'll ask for a clarification.
14 What is the assumption going forward on
15 behalf -- what is the assumption that Ernst & Young
16 has used going forward in these forecasts with respect
17 to population?
18 A. I think it's -- it's a general decline.
19 Q. And what is that assumption based on?
20 A. Based on all of the trends that are very
21 evident over the last few years and looking at that
22 trend and at least adjusting as to what that decline
23 would be here in the near future and then, you know,
24 over the course of the ten years does that decline

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1 continue to go at the current rate or not. So I think
2 you have to look at these assumptions over a longer
3 timeframe and I think you have to look at it from the
4 standpoint of what's applicable here in the next -- in
5 the short term versus what's applicable in the long
6 term.
7 Q. Did Ernst & Young develop any scenarios
8 with a more optimistic demographic assumption?
9 A. In terms of having?
10 Q. Population increasing.
11 A. I do not recall of the team having a
12 scenario in which in the short term population is
13 increasing. And I would think that if you look at it
14 over a longer timeframe, you know, maybe there are
15 assumptions where the population decline slows, but I
16 don't recall of a scenario where in the short term
17 population is increasing.
18 Q. In the context of your answer here, what
19 do you mean by short term?
20 A. In the next three or four or five years.
21 Q. Did you do any kind of ten-year
22 forecasting that assumed that the population decline
23 would either slow down or even there could be actual
24 growth in population?

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1 A. I think that generally is what's
2 reflective in the forecasts with respect to that there
3 is a -- a reduction in the pace of the decline over
4 the -- in the outer years. I think that is currently
5 reflective in the forecast.
6 Q. But there are no scenarios that would
7 include an actual rise in the population, is that
8 correct?
9 A. I don't recall.
10 Q. You would agree that if the population
11 does grow, it would affect the results of any
12 forecasts, correct?
13 A. If you change the assumptions, the numbers
14 will change, yes.
15 Q. And, in fact, it could dramatically affect
16 it, correct?
17 MR. STEWART: Objection.
18 BY THE WITNESS:
19 A. I don't know about that.
20 BY MS. BRUNO:
21 Q. Returning to your declaration in
22 Paragraph 10, it states that, "The work conducted by
23 Ernst & Young developing the cash flow forecasts as
24 well as the ten-year projection" -- "projections,"

<p style="text-align: right;">Page 45</p> <p>1 excuse me, "were limited to the City's general fund,"</p> <p>2 is that correct?</p> <p>3 A. That is correct.</p> <p>4 Q. In other words, the projections assume</p> <p>5 that there are no other funds available to the City</p> <p>6 beyond the general fund, is that correct?</p> <p>7 A. It -- it assumes that the general fund</p> <p>8 will not have additional funds from other funds, yeah,</p> <p>9 that's generally correct.</p> <p>10 Q. What about the City having available --</p> <p>11 other available funds outside of the general fund?</p> <p>12 A. The City has multiple funds outside the</p> <p>13 general fund. The main one is the water and sewer,</p> <p>14 which we did not perform a ten-year projection on the</p> <p>15 water and sewer funds. My understanding is that those</p> <p>16 funds are not necessarily available to the general</p> <p>17 fund.</p> <p>18 Q. To the general fund that may be correct,</p> <p>19 but it would be available to the City, would it not?</p> <p>20 MR. STEWART: Objection.</p> <p>21 BY THE WITNESS:</p> <p>22 A. It would be available to the City for the</p> <p>23 purposes those funds were raised for, which is</p> <p>24 generally maintenance and capital improvements on the</p>	<p style="text-align: right;">Page 47</p> <p>1 declaration here are solely limited with the caveat</p> <p>2 that you provided to the general fund, is that</p> <p>3 correct?</p> <p>4 MR. STEWART: Objection.</p> <p>5 BY THE WITNESS:</p> <p>6 A. The cash flow forecasts and the ten-year</p> <p>7 projections with respect to the receipts and</p> <p>8 disbursements and the revenues and expenses are</p> <p>9 generally reflective of the general fund and the</p> <p>10 Department of Transportation. That's the way I would</p> <p>11 characterize it.</p> <p>12 BY MS. BRUNO:</p> <p>13 Q. You would agree that the City does have</p> <p>14 access to other funds, correct?</p> <p>15 MR. STEWART: Objection.</p> <p>16 BY THE WITNESS:</p> <p>17 A. I don't understand when you say the City</p> <p>18 has access to.</p> <p>19 BY MS. BRUNO:</p> <p>20 Q. There is other enterprise funds available</p> <p>21 to the City, correct?</p> <p>22 MR. STEWART: Objection.</p> <p>23 BY THE WITNESS:</p> <p>24 A. Available to the City for what?</p>
<p style="text-align: right;">Page 46</p> <p>1 water and sewer side.</p> <p>2 BY MS. BRUNO:</p> <p>3 Q. Let's backtrack a little bit. I think</p> <p>4 we've gone in a different direction than I'm trying to</p> <p>5 focus on.</p> <p>6 My question to you is: The forecasts that</p> <p>7 you provided in this declaration are limited solely to</p> <p>8 the general fund, is that correct?</p> <p>9 A. They are generally limited to the general</p> <p>10 fund, other than if they were other enterprise funds</p> <p>11 the City was subsidizing, like the Department of</p> <p>12 Transportation, those would have been included in the</p> <p>13 general fund as it is a -- a fund that the City</p> <p>14 subsidizes and has historically subsidized.</p> <p>15 Q. So you would agree, though, that subject</p> <p>16 to your exception there that the assumptions and</p> <p>17 forecasts provided in this declaration do not take</p> <p>18 into account other funds available to the City?</p> <p>19 MR. STEWART: Objection.</p> <p>20 BY THE WITNESS:</p> <p>21 A. You have to rephrase your question.</p> <p>22 BY MS. BRUNO:</p> <p>23 Q. The forecasts and cash flows, the</p> <p>24 projections, the information that is discussed in your</p>	<p style="text-align: right;">Page 48</p> <p>1 BY MS. BRUNO:</p> <p>2 Q. Well, if you are talking about the cash</p> <p>3 available to the City, certainly there is other</p> <p>4 sources of cash available to the City outside of the</p> <p>5 general fund, you would agree with that?</p> <p>6 MR. STEWART: Objection.</p> <p>7 BY THE WITNESS:</p> <p>8 A. No. It depends on what purpose you are</p> <p>9 asking the question, the context of.</p> <p>10 BY MS. BRUNO:</p> <p>11 Q. You would agree with me that the general</p> <p>12 fund is not the only source of available cash to the</p> <p>13 city, would you not?</p> <p>14 MR. STEWART: Objection.</p> <p>15 BY THE WITNESS:</p> <p>16 A. The general fund -- the cash that is</p> <p>17 available to the general fund is generally the only</p> <p>18 cash that is available to the City for its core</p> <p>19 operations that are not related to any other</p> <p>20 enterprise funds. So, my answer would be, that the</p> <p>21 cash flows that are reflective in here and are</p> <p>22 generally available for the general fund is the City's</p> <p>23 operating cash in general.</p> <p>24 BY MS. BRUNO:</p>

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1 Q. How do you have that understanding?
2 A. That is my general understanding. So,
3 my -- my understanding is that the monies that are
4 available or are attributable to the bank accounts of
5 the enterprise funds have specific reasons for what
6 that cash can be spent. So we have made the
7 assumption that that cash is not available for the
8 general fund. But I would think that would be a
9 further legal determination. It is our understanding
10 that that cash is not available to fund the operations
11 of the general fund.
12 Q. And how did you obtain that understanding?
13 That's what I'm trying to get to.
14 A. I don't recall. That's our general
15 understanding that there are revenue bonds that have
16 been issued at the Water and Sewer Department, and
17 those revenue bonds are associated with specific
18 maintenance and capital improvements for the Water and
19 Sewer Department, and that those funds are generally
20 not available to fund the operations of the general
21 fund.
22 Q. Do you recall having a conversation with
23 anyone at the City to that effect?
24 A. Yes. I'm -- I think all of the

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1 discussions from the very front end of our engagement
2 would have been in the context that, you know, whether
3 any other cash is available, so the answer would be
4 yes.
5 Q. Who at the City do you recall having that
6 conversation with?
7 A. I don't recall of a specific conversation,
8 but I'm sure that the discussions would have been with
9 Chris Brown and with Kirk Lewis and any of the other
10 folks that we have reported to during the City, but I
11 do not recall of a specific conversation in terms of
12 the funds available to the Water and Sewer Department.
13 Q. If I turn your attention to Exhibit 8,
14 which is the Amendment 7 to the SOW, on page 2 there
15 are a number of specific references to work and
16 analysis of the City's general fund. And it's in many
17 places defined General Fund with a capital G and a
18 capital F.
19 Do you see what I'm referring to?
20 A. Yes. I'm trying to find the capital G and
21 the capital F, but I generally -- I'm on page 2, that
22 the context is for the general fund.
23 Q. Sure. Just if you look at the second bold
24 bullet point, "Preparation of 10-Year tax revenue

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1 estimates for the General Fund."
2 A. Okay.
3 Q. That's one example that I can see.
4 Are there similar -- my question is -- I'm
5 trying to get to the original SOW. I'm using the
6 Amendment 7 to discuss the original SOW.
7 Did the original SOW limit the work to the
8 general fund in the same way that Amendment No. 7
9 does?
10 A. I don't recall specifically. But I can
11 say that earlier on in our engagement, I would say in
12 the 2011 timeframe, we were looking at the cash flows
13 of the water and sewer fund and the other enterprise
14 funds as well. But that process stopped, I would say,
15 in the first four or five or six months of the
16 engagement because there was sort of water and sewer
17 funds were tracking their cash on their own, and so
18 were some of the other enterprise funds, that our
19 focus really was on the general fund.
20 But just for clarity, the work that would
21 have been done in the front end was to look at the
22 funds that water and sewer had and the receipts and
23 disbursements associated with that versus any
24 transfers that were coming back to the general fund.

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1 So they were looking at those forecasts in isolation.
2 But that work sort of stopped I think right around in
3 the first four or five months of the engagement.
4 Q. And why did that work stop?
5 A. It was because the focus continued to be
6 on the general fund and these were self-sustaining
7 funds with respect to at least the Water and Sewer
8 Department. And so they were monitoring their -- and
9 dealing with their cash activity, although connected
10 to the City, but we weren't helping forecast receipts
11 and disbursements because they were not impacting the
12 general fund.
13 Q. You previously testified in your prior
14 deposition that Ernst & Young was not asked to look at
15 possible disposition of City assets, is that correct?
16 A. That's correct.
17 Q. Why -- did you have a discussion with the
18 City regarding whether that would be valuable work for
19 Ernst & Young to provide?
20 MR. STEWART: Objection.
21 BY THE WITNESS:
22 A. I -- I'm not sure I follow the question.
23 BY MS. BRUNO:
24 Q. How did it come about that Ernst & Young

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1 didn't evaluate the value of disposition of some of
2 the City assets?
3 A. It was not a part of our scope of work.
4 Q. You would agree that there could be cash
5 value to the disposition of some of those assets,
6 would you not?
7 MR. STEWART: Objection.
8 BY THE WITNESS:
9 A. I think that's a better question to ask
10 for the City's investment banker.
11 BY MS. BRUNO:
12 Q. Well, I'm not talking about the specific
13 numbers here, but you know what some of the assets
14 available to the City are, correct?
15 A. In general, yes.
16 Q. And you understand that some of those
17 assets could be valuable or quite valuable, correct?
18 MR. STEWART: Objection.
19 BY THE WITNESS:
20 A. It depends on what assets you are talking
21 about.
22 BY MS. BRUNO:
23 Q. Why don't we look at Exhibit No. 4 -- oh,
24 I'm sorry. I'll hand it to you. Exhibit No. 4 from

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1 your prior deposition, I'll hand it to you. It was
2 the Proposal For Creditors --
3 A. Okay.
4 Q. -- dated June 14.
5 And I believe the assets are identified on
6 90. And it is 90 of the computer generated numbers on
7 the bottom.
8 And on pages 90 through 96, the
9 presentation discussed various assets that the City
10 could derive some cash benefit from, correct?
11 MR. STEWART: Objection.
12 BY THE WITNESS:
13 A. Yes.
14 BY MS. BRUNO:
15 Q. And, well, I don't want to quarrel or even
16 discuss with you what the actual specific value of any
17 one of those assets are, but you would agree that the
18 implementation of any of these proposals would improve
19 the City's cash position, would it not?
20 MR. STEWART: Objection.
21 BY THE WITNESS:
22 A. Here is what I would say. The current
23 ten-year projections right now do not include any
24 incremental proceeds that could be available to the

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1 City from asset sales. And that's where I -- because
2 that's what's very clearly laid out in the proposal.
3 If there are proceeds available that are
4 available to the City, those numbers would change.
5 But I can at least highlight and articulate what the
6 assumptions are with respect to the ten-year forecast
7 that the City has put out.
8 BY MS. BRUNO:
9 Q. And so your assumptions include that none
10 of these assets will be disposed of in any way, is
11 that correct?
12 A. That's generally correct.
13 Q. Sticking with Exhibit No. 4 before you, if
14 you'd turn to page 80 of the document. I'm sorry. I
15 should say 87 of the computer generated numbers.
16 And this is a portion of the presentation
17 that discusses increasing the tax collection. You
18 look like you are on a different page than I am here.
19 A. 87.
20 Q. You've got it?
21 A. Yes.
22 Q. You would agree that increasing the tax
23 collection rates and improving the collection of past
24 due taxes could materially improve the City's

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1 financial position, could it not?
2 MR. STEWART: Objection.
3 BY THE WITNESS:
4 A. Yeah, I can't answer that because I do not
5 know the magnitude of what you are referring to in
6 terms of your question and what the definition of
7 material is.
8 BY MS. BRUNO:
9 Q. Well, the presentation here, the June 14th
10 presentation discussed at the fourth bullet down
11 identifies approximately \$250 million of unpaid or
12 outstanding tax debts. If those debts would be --
13 could be addressed and collected, that would be a
14 material improvement in the cash position, would it
15 not?
16 MR. STEWART: Objection.
17 BY THE WITNESS:
18 A. This amount that has been identified by a
19 third party, Compuware, for \$250 million, I do not
20 know what portion of it has been included specifically
21 in the work with respect to collection efforts that
22 Conway MacKenzie has done, but my assumption is it
23 wouldn't have been to the magnitude of \$250 million.
24 So, if \$250 million were collected, it

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1 would improve the overall profile is my assumption.
2 BY MS. BRUNO:
3 Q. I have heard estimates that a more
4 accurate estimate of outstanding tax debt is
5 significantly higher than \$250 million.
6 Are you familiar with these higher
7 estimates that are being discussed?
8 MR. STEWART: Objection.
9 BY MS. BRUNO:
10 Q. Have been discussed?
11 MR. STEWART: Objection.
12 BY THE WITNESS:
13 A. No.
14 BY MS. BRUNO:
15 Q. You have not heard that the outstanding
16 tax debt available to the City could be as much as
17 \$700 million?
18 A. I have not heard that, that I recall.
19 Q. To be clear, your forecasts don't account
20 for the collection, any type of truly significant to
21 this degree of outstanding debt, is that correct?
22 MR. STEWART: Objection.
23 BY THE WITNESS:
24 A. That's correct.

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1 MS. BRUNO: Why don't we take a quick break. I
2 don't -- I only need about ten minutes for a break.
3 (WHEREUPON, a recess was had
4 from 10:57 to 11:08 a.m.)
5 BY MS. BRUNO:
6 Q. Mr. Malhotra, when we were talking about
7 funds available to the enterprise, I believe you
8 discussed the water and sewer funds.
9 Are you aware of other funds available to
10 the enterprise?
11 A. Other funds that are available to
12 enterprise funds?
13 Q. Enterprise funds available to the City.
14 I'm sorry.
15 MR. STEWART: Objection, by the way, to the
16 phrase "available to the city."
17 BY THE WITNESS:
18 A. I do not believe that there are, that I
19 know of, other enterprise funds' funds that are
20 available to the City.
21 BY MS. BRUNO:
22 Q. Returning to your declaration, I'll direct
23 your attention to Paragraph 14.
24 In that paragraph you discuss that E&Y's

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1 forecasts and analysis was based upon the
2 comprehensive annual finance report of the City, the
3 C-A-F-R, CAFR.
4 Do you see where you discuss that in this
5 paragraph?
6 MR. STEWART: Objection.
7 BY THE WITNESS:
8 A. It was one of the documents that -- that
9 we used in terms of helping pull together the
10 forecast.
11 BY MS. BRUNO:
12 Q. Was -- it was the primary document,
13 correct, primary document, wasn't it?
14 MR. STEWART: Objection.
15 BY THE WITNESS:
16 A. No.
17 BY MS. BRUNO:
18 Q. What would you consider to be the primary
19 document then?
20 A. There was not one single primary document.
21 It was a compilation of all of the different sources
22 of data that we got that included the CAFR, that
23 included the raw files that we got from the City, that
24 included some of the information we saw in terms of

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1 bank activity, in terms of looking at, you know, a lot
2 of the information together, but I can't recall that
3 there was one primary document that we relied upon.
4 Q. The 2012 CAFR is relied upon and
5 identified over 30 times in your declaration.
6 Does that seem like a reasonable estimate
7 to you in terms of how many times it's cited in your
8 declaration?
9 MR. STEWART: Objection.
10 BY THE WITNESS:
11 A. It's cited in the context of the
12 outstanding debt balances that the City has, and so I
13 think it's a reasonable assumption with respect to the
14 outstanding indebtedness of the City, which is where
15 the CAFR has been referenced as a document.
16 BY MS. BRUNO:
17 Q. And thus you would agree then that Ernst &
18 Young relied upon this information in creating its
19 assumptions and forecasts, correct?
20 A. It was one of the documents that we refer
21 to, yes.
22 Q. But you did not audit that information,
23 did you?
24 A. That is correct.

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1 Q. And what kind of stress testing or
2 analysis did you undertake with respect to that
3 information to ensure that it was accurate?
4 MR. STEWART: By that information, you mean CAFR
5 or something else?
6 MS. BRUNO: I mean CAFR. Thank you.
7 BY THE WITNESS:
8 A. The CAFR is the City's audited financial
9 statement. We did not run separate stress tests on
10 the -- or the information that was applicable from the
11 CAFR, but like I said, it was one of the documents
12 that we used in terms of coming up and assisting the
13 City come up with the forecast.
14 BY MS. BRUNO:
15 Q. You are aware, though, that it is well
16 documented that the City's financial recordkeeping was
17 both inadequate and contained numerous deficiencies,
18 correct?
19 MR. STEWART: Objection.
20 BY THE WITNESS:
21 A. The information that we were generally
22 looking at was for the context of cash in which the
23 CAFR was not a primary source. With respect to
24 looking at the debt balances that the City had, we did

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1 look at the CAFR. I am not aware of specific
2 deficiencies in the context of the debt balances the
3 City was reporting in the CAFR, but I have not audited
4 any of that data.
5 BY MS. BRUNO:
6 Q. You are aware that the Financial Review
7 Team that undertook work for the City found many
8 deficiencies with the recordkeeping of the financials
9 of the City, are you not?
10 MR. STEWART: Objection.
11 BY THE WITNESS:
12 A. I don't recall specifically, but generally
13 the -- the quality of information from the systems
14 that have been available, you know, has -- has to be,
15 you know, reviewed in order to make sure that we are
16 using reasonable assumptions.
17 BY MS. BRUNO:
18 Q. And what review was undertaken by Ernst &
19 Young to ensure that this was reliable information to
20 generate assumptions from?
21 A. When you say "this," is it --
22 Q. CAFR, in this instance.
23 A. From the CAFR, it's the -- the information
24 that has been reported with respect to the outstanding

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1 indebtedness of the City. We did not go back and do
2 original debt documents to try and ascertain whether
3 the documentation of the CAFR was accurate or not.
4 Q. I'm going to hand you what was previously
5 marked as Exhibit 3 at your deposition. Hold on.
6 I'll give you a moment to look at this,
7 Mr. Malhotra, but this is the February 19th memorandum
8 generated by the Detroit Financial Review Team.
9 Have you seen this document before,
10 Mr. Malhotra?
11 A. Yes, I have.
12 Q. And if I can direct your attention to --
13 the number is going to be hard to follow, but it's
14 marked 2 at the bottom of the page, but it's -- it is
15 an attachment to the actual memoranda. So the top of
16 the page says "Finding 2012-02." Let me know when --
17 A. I'm there.
18 Q. You are there, okay.
19 And the "Finding 2012-02" relates to
20 reconciliations, transaction processing, account
21 analysis and document retention. Is that what you
22 read there?
23 A. Yes.
24 Q. I'm going to read from the last sentence

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1 of the first paragraph, and the findings of the
2 Detroit Financial Review Team were that, "During the
3 audit, we noted deficiencies in the areas of
4 transaction processing, account analysis, data
5 integrity, reconciliation performance, and document
6 retention."
7 Do you see where it says that?
8 A. Yes.
9 Q. Did you understand that that was the state
10 of the financial recordkeeping of the City when you
11 undertook your work for the City?
12 MR. STEWART: Objection.
13 BY THE WITNESS:
14 A. I can't recall.
15 BY MS. BRUNO:
16 Q. Another finding, and I'm going to the next
17 immediate paragraph, is: "The City's process to
18 identify accrued expenses is not adequate. Our audit
19 procedures identified expenditures related to fiscal
20 year 2012 that were not appropriately recorded as
21 expenditures in fiscal year 2012."
22 Do you see that?
23 A. I see it, yes.
24 Q. Would you agree with me that there are

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1 noted issues and problems with the recordkeeping of
2 the City?
3 MR. STEWART: Objection; the document speaks for
4 itself. There is no evidence he wrote it.
5 BY THE WITNESS:
6 A. That's what the statement says. So, I'm
7 not sure I fully understand what your question is.
8 BY MS. BRUNO:
9 Q. Did Ernst & Young do anything to ensure
10 that the information that they evaluated and relied
11 upon was accurate information to draw assumptions
12 from?
13 A. Who is "they"?
14 Q. Ernst & Young. The question -- let me
15 rephrase the question. That might help.
16 Did Ernst & Young do anything to ensure
17 that the information that Ernst & Young evaluated and
18 relied upon as received from the City was accurate
19 information that you could draw assumptions from?
20 A. EY did -- our team based on the data that
21 was received did go through the information to make
22 sure that the assumptions we were using were
23 reasonable.
24 Q. And what would be the process that Ernst &

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1 Young would go through to make sure that information
2 used was reasonable?
3 A. Well, it would generally have been that if
4 we were receiving some information, we would try and
5 review what other documentation may or may not be
6 available to support any trends from a historical
7 perspective and whether the information was
8 consistent, and if it was not consistent, if there
9 were any major outliers, speak to the team at the City
10 to try and understand what changes may be happening.
11 So, I'm comfortable that what we undertook
12 as an analysis of the information that was presented
13 by the City after asking questions that we were using
14 reasonable assumptions.
15 Q. This process that you just outlined, can
16 you recall any specific instances where Ernst & Young
17 determined that the financial information received
18 from the City contained either an outlier or an error?
19 A. This was generally a collaborative
20 process. So, there was exchange of information
21 between the City and the EY team on a regular basis.
22 And so I can't recall something off the top of my
23 head, but my point is that this was generally an
24 iterative and a collaborative process of exchanging

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1 information and assumptions back and forth.
2 Q. Just to be clear, are you aware of any
3 instance or any specific circumstance of -- at all
4 where Ernst & Young went back to the City and said, I
5 think there is a problem with the information you
6 provided?
7 A. I am sure there were several conversations
8 in which we were challenging and asking questions with
9 respect to the data that we were receiving, but I
10 don't recall of any one specific instance off the top
11 of my head that stands out versus not.
12 Q. Can you give me one example of any
13 instance where Ernst & Young challenged the
14 information received and went back to any department
15 in the City where the information came from to verify
16 or better understand a problem with the information
17 received?
18 MR. STEWART: Objection to form.
19 BY THE WITNESS:
20 A. There were instances when we were
21 receiving reports on cash collections that were not
22 appropriately categorized and which -- and which we
23 went back and, you know, further evaluated as to, you
24 know, what the -- where those cash receipts really

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1 actually belonged in terms of income taxes or property
2 taxes. They were -- that's one example.
3 There were questions with respect to the
4 amount of accounts payable outstanding that the City
5 was reporting and, you know, if there were more
6 invoices than that were actually entered into the
7 system or not. So, there have been a variety of
8 back-and-forth conversations on different topics which
9 is part of what we actually are helping at the City
10 with is to try and get our arms around reasonable
11 assumptions around the data that is available.
12 BY MS. BRUNO:
13 Q. Why don't we turn back to Exhibit 4, which
14 is the June 14 proposal. And I'll direct your
15 attention to what is page 68 of 135 in the electronic
16 numbering. And this relates -- the questions that I'm
17 going to ask you relate to the restructuring and
18 reinvesting initiatives.
19 Why is the City spending \$1.25 billion on
20 these initiatives?
21 A. I think it's in general to improve the
22 quality of safety as well as blight removal in the
23 City. The specifics of that as to how that number was
24 brought about is something that should be discussed

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1 with the Conway MacKenzie team as they were looking at
2 the reinvestment portion to the City.
3 Q. Did Ernst & Young have any role in
4 determining the amount the City would spend on these
5 reinvestment initiatives?
6 A. In aggregate, no.
7 Q. How about in specific to any one
8 initiative?
9 A. Not -- not in the context of the \$1.25
10 billion.
11 Just for clarity, there were assumptions
12 that were involved in the base case with respect to
13 what initiatives or certain initiatives the City had
14 already started. And so that part was clarified with
15 respect to what assumptions were already included in
16 the base case versus not, that would have been
17 included in the reinvestment costs into the City.
18 Q. I guess I'm not sure that we communicated
19 on that.
20 Did E&Y have any role in determining the
21 amount of money that would go into any particular
22 investment -- initiative or investment --
23 reinvestment? Excuse me.
24 MR. STEWART: Objection.

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1 BY THE WITNESS:
2 A. In the context of the \$1.25 billion, I
3 don't recall of a specific initiative where EY
4 articulated a certain dollar amount that needed to be
5 invested for a specific initiative.
6 BY MS. BRUNO:
7 Q. Were there specific initiatives that E&Y
8 took a more significant role in providing guidance or
9 advice for?
10 MR. STEWART: Objection.
11 BY THE WITNESS:
12 A. Not as a part of the \$1.25 billion that's
13 been highlighted here. I do not recall -- there were
14 conversations so that all of the team members
15 understood the assumptions with respect to what was
16 already included in the base case, but I do not recall
17 of any specific guidance in which EY played a greater
18 role in one line item versus the other in the context
19 of that 1.25 billion. That's my recollection.
20 Q. What is the -- what is the impact of these
21 initiatives on revenue collection?
22 A. With respect to the revenue collection,
23 there are two components. One is the overall increase
24 that may come about from the overall improvement in

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1 the services that are provided as -- and
2 correspondingly the revenues that are associated with
3 increased fees or fines or some collection rates that
4 may be attributable to specific investments. There is
5 another source of potential upside, which EY was
6 involved in, with respect to making certain
7 assumptions on if there is a cleaner and safer City,
8 should the overall recovery in terms of the tax
9 collections the City will have are potentially better
10 than in a scenario where there is no investment in
11 either public safety or blight removal.
12 Q. And what was Ernst & Young's involvement
13 in that second assumption?
14 A. Like I said, EY helped formulate the
15 assumptions with respect to how that there could be a
16 scenario where the revenues could increase based on
17 making some of these investments because the
18 likelihood of having a cleaner and safer City, that
19 will likely rebound faster than a City that is not.
20 Those assumptions are reflected in the current
21 ten-year proposal.
22 Q. How are they reflected in the ten-year
23 proposal?
24 A. If you look at page -- if you look at

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1 page -- I'm trying to find the page.
2 On page 105 of 135 -- or actually, 104 of
3 135, under the "reinvestment expenditures and
4 adjustments," under the line item that says "increased
5 tax revenues," that amounted to over a ten-year period
6 roughly \$334.5 million. That was the assumption that
7 overall can the growth rate assumptions that are
8 incorporated in the baseline, can they be made -- will
9 they likely get better in the scenario that you have a
10 restructured city with better operations and a cleaner
11 and safer city.
12 Q. And that is why the increased tax revenues
13 are increasing over the course of that ten-year
14 period, is that correct?
15 A. That is correct, that's generally the
16 trend.
17 Q. State revenue sharing is a source of
18 revenue for the City, correct?
19 A. Yes.
20 Q. Do you know why it declined from \$250
21 million in 2008 to \$173 million in 2012?
22 A. I believe that was what Detroit's share of
23 the reduction was as the State reduced state revenue
24 sharing --

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1 (WHEREUPON, there was a short
2 interruption.)
3 MR. STEWART: Why don't we repeat the question
4 and partial answer.
5 MS. BRUNO: Sure.
6 BY MS. BRUNO:
7 Q. Do you know why that amount declined from
8 \$250 million in 2008 to \$173 million in 2012?
9 A. That was a part of the overall reduction
10 for Detroit's part as the State reduced state revenue
11 sharing for a significant number of cities and
12 municipalities and schooling districts. That was what
13 Detroit's relevant share of the decline was.
14 Q. Do you know how Detroit's relevant share
15 was determined?
16 A. No.
17 Q. Do you know whether it was determined by a
18 specific decision or a formula?
19 A. No.
20 Q. Wouldn't the City be in a better position
21 today if it continued to receive the same level of
22 contribution it received years ago?
23 MR. STEWART: Objection.
24 BY THE WITNESS:

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1 A. If you change the assumptions in terms of
2 the revenues and assuming that there are no changes in
3 any of the expenses, I would say the answer would be
4 yes.
5 BY MS. BRUNO:
6 Q. What are you aware of with respect to
7 actions taken by the City to support -- to pursue
8 support from the State of Michigan, including pension
9 contribution -- contributions and other support?
10 A. I'm sorry. I don't understand your
11 question.
12 Q. What are you aware of with respect to
13 actions taken by the City to pursue support from the
14 State of Michigan regarding pension contributions and
15 other support?
16 MR. STEWART: Objection.
17 BY THE WITNESS:
18 A. Can you rephrase that question, please?
19 BY MS. BRUNO:
20 Q. Sure. Maybe we're not communicating here.
21 Are you aware of actions taken by the City
22 to pursue support from the State of Michigan,
23 including pension contributions and other support?
24 Are you aware of actions taken by the City to pursue

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1 that type of support?
2 A. When you say "including pension
3 contributions," what is your question, is the City --
4 I mean, asking the State for support for what?
5 Q. To make contributions to the pension, to
6 any other financial support additional that they would
7 provide to the City?
8 A. Just let me make sure I understand.
9 Is your question, has the City asked the
10 State to fund the City's pension contributions?
11 Q. Any actions taken by the City to seek
12 support from the State.
13 A. All right. So that was -- I just --
14 MR. STEWART: I think -- I think it is her job
15 to ask you questions. You don't need to ask questions
16 of yourself. Why don't you just have her ask you a
17 new question that you can understand.
18 So, ask a new question.
19 BY MS. BRUNO:
20 Q. Are you aware of actions taken by the City
21 to seek support from the State?
22 A. Yes.
23 Q. And what are you aware of, what actions
24 are you aware that the City has taken?

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1 A. That is a part of the financial stability
2 agreement in which I believe Annex E was where the
3 City and the State would collaborate to move on
4 certain initiatives.
5 Q. What role have you had in those
6 conversations or that relationship?
7 MR. STEWART: Objection.
8 BY THE WITNESS:
9 A. Not much, if any, that I recall.
10 BY MS. BRUNO:
11 Q. I'm going to return your attention back to
12 Amendment No. 7. And, again, this amendment is dated
13 July 17, 2013, correct?
14 A. Yes.
15 Q. And the Chapter 9 filing was made by the
16 City on July 18, is that correct?
17 A. Yes.
18 Q. When did Ernst & Young determine that
19 Amendment No. 17 would be necessary?
20 MR. STEWART: Do you mean Amendment No. 7?
21 MS. BRUNO: Amendment No. 7, yeah.
22 BY THE WITNESS:
23 A. I would say it would be in this May, June
24 timeframe. I don't remember of a specific date in the

<p style="text-align: right;">Page 77</p> <p>1 context of, you know, when Amendment No. 7 was 2 initiated. 3 BY MS. BRUNO: 4 Q. And Amendment No. 7 clearly contemplates 5 the filing of a Chapter 9 bankruptcy, does it not? 6 MR. STEWART: Objection. 7 BY THE WITNESS: 8 A. It contemplates a contingency plan. 9 BY MS. BRUNO: 10 Q. Specifically including a filing for 11 Chapter 9? 12 A. That is right, as one of the scenarios, 13 yes. 14 Q. And when this agreement was signed, 15 Ernst & Young understood that a Chapter 9 filing was 16 going to be made, did it not? 17 A. No. 18 Q. When did Ernst & Young understand that the 19 Chapter 9 filing was going to be made? 20 A. We do not -- I do not recall of a specific 21 date when we knew that this would be a date when the 22 City would have to file for Chapter 9. When we 23 prepared the amendment in the June timeframe, which is 24 when we were talking about, we did try to ascertain if</p>	<p style="text-align: right;">Page 79</p> <p>1 out of court, but so I think the key aspect was to at 2 least frame what the financial information was and 3 articulate that to -- to all of the stakeholders up to 4 the best information we had available. 5 Q. Outside of the June 14th proposal and the 6 information contained therein, were there other 7 alternatives that Ernst & Young considered? 8 A. Through the work that EY had done for the 9 City, it was -- and all of the concessions that have 10 been made by various stakeholders at the City 11 including first and foremost the City's active 12 employee base, the Ernst & Young was constantly 13 assisting the City in evaluating what restructuring 14 efforts from a cost reduction standpoint, what sort of 15 savings could be quantified. However, some 16 rationalization or restructuring of the City's legacy 17 liabilities started to become more and more apparent 18 given the declining revenues and combined with the 19 significant amount of concessions the City's active 20 employee base had already endured over the last couple 21 of years. 22 So we looked at different sorts of cost 23 reduction efforts, but a lot of those cost reduction 24 efforts had already and were undertaken over the</p>
<p style="text-align: right;">Page 78</p> <p>1 one of the contingency scenarios would be a Chapter 9. 2 So that scope was included. 3 Q. When did Ernst & Young become aware that 4 the City was going to file for Chapter 9 bankruptcy? 5 A. I do not recall of a specific date. 6 Q. Your declaration is dated July 18th, 7 correct? 8 A. That's when it was signed, yes. 9 Q. And how long did you spend drafting this 10 declaration? 11 A. I don't recall. It could have been 12 probably a week or two is -- I don't recall 13 specifically. 14 Q. You discussed that Chapter 9 was 15 considered -- filing of the Chapter 9 was considered a 16 contingency or one of the alternatives, correct? 17 A. That is correct. 18 Q. At this time, and by that I mean the June, 19 July timeframe or perhaps if it helps to say the -- I 20 want to use the term that you use -- additional summer 21 of 2013 services, what were the other alternatives 22 Ernst & Young analyzed? 23 A. It was essentially in the construct of the 24 June 14th proposal is if a restructuring was possible</p>	<p style="text-align: right;">Page 80</p> <p>1 course of the last few months. 2 Q. Any other alternatives? 3 A. Those are the ones that come to mind in 4 terms of looking at this proposal, other cost 5 reduction efforts that generally come to mind. 6 Q. We discussed at length of forecasting for 7 the general fund as discussed in your declaration. 8 Did Ernst & Young conduct or analyze any 9 additional forecasting for any of the other enterprise 10 funds -- 11 MR. STEWART: Objection. 12 BY MS. BRUNO: 13 Q. -- for the city? 14 A. Not other than that timeframe, the 15 short-term timeframe I already talked about earlier, 16 but we did not make any other assumptions with respect 17 to enterprise fund forecasting other than what I 18 articulated earlier. 19 Q. Do you anticipate providing any additional 20 supporting information or declaration to the City in 21 support of its statement of qualifications? 22 A. Not -- I do not anticipate that as of yet. 23 MS. BRUNO: I think that's all of the questions 24 that I have for this witness at this time.</p>

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1 MR. TEELE: I have a few questions.
2 EXAMINATION
3 BY MR. TEELE:
4 Q. Mr. Malhotra, I am Jason Steele from the
5 Lowenstein Sandler firm. We represent AFSCME in this
6 case.
7 I'm going to do my best not to cover any
8 of the ground that Ms. Bruno covered this morning. So
9 bear with me for a moment. It might be a little bit
10 shaky.
11 First, did you review personally any of
12 the pleadings that were filed by any of the parties in
13 the bankruptcy case objecting to the City's
14 eligibility to file Chapter 9 bankruptcy?
15 A. Not specifically. I may have glanced
16 through a couple, but not any that I recall off the
17 top of my head.
18 Q. And you have reviewed the June 14th
19 creditor proposal, Exhibit 4, is that right?
20 A. Yes.
21 Q. And, in fact, you actually had some input
22 into the creation of this proposal, is that right?
23 A. That's correct.
24 Q. But ultimately the proposal was prepared

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1 by whom, the Emergency Manager?
2 A. It was a proposal that was made by the
3 City to its different creditors.
4 Q. And the Emergency Manager is the one who
5 was the proponent of the proposal, is that right?
6 A. I would say it was the City in terms of
7 making the proposal to the creditors.
8 Q. So, EY is retained by the City of Detroit,
9 is that correct?
10 A. That's correct.
11 Q. And that was the original retention and
12 that's the way it stands today, right?
13 A. Yes.
14 Q. And you report to -- ultimately to the
15 Emergency Manager currently, is that right?
16 A. That is correct.
17 Q. And the Emergency Manager acts for the
18 City of Detroit in place of the City's Mayor and
19 Council or other elected representatives, is that
20 right?
21 MR. STEWART: Objection.
22 BY THE WITNESS:
23 A. I can't answer that.
24 BY MR. TEELE:

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1 Q. Is that your understanding?
2 A. My understanding is that our client is the
3 City of Detroit and we are reporting ultimately to
4 Kevyn Orr currently.
5 Q. And who -- if you know, who appointed
6 Mr. Orr to his position?
7 A. I can't answer that.
8 Q. So you don't know?
9 A. Yeah, it is either -- my assumption is
10 it's -- whether it's the Emergency Loan Board or the
11 Governor, that that would be my understanding.
12 Q. Would it be your understanding that the
13 Emergency Manager is appointed by the State of
14 Michigan as opposed to elected by the people in
15 Detroit, is that correct?
16 MR. STEWART: Objection.
17 BY MR. TEELE:
18 Q. Do you know?
19 A. I can't answer that.
20 Q. Do you currently or does E&Y currently
21 report to the Mayor of Detroit?
22 A. In terms of the daily activities, our main
23 interaction has been with Kevyn Orr and his team in
24 the construct of the Proposal For Creditors.

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1 Q. And do you report currently to the City
2 Council of Detroit?
3 A. Our work is in the connection with the
4 Proposal For Creditors is generally reported to Kevyn
5 Orr and his team.
6 Q. Do you meet regularly, you personally or
7 any members of your team meet regularly with either
8 the Mayor of Detroit or the City Council of Detroit?
9 A. Not generally at the current time.
10 Q. When was the last time that you had a
11 meeting with the Mayor?
12 A. Actually, probably just a -- maybe three
13 weeks ago or somewhere around that timeframe.
14 Q. Do you meet with anybody representing the
15 governor of the State of Michigan?
16 A. At times we've had meetings with the State
17 Treasurer, but I don't recall the last one.
18 Q. Have you had any meetings with any state
19 representative, state official, such as the Treasurer,
20 since the Chapter 9 petition was filed by the City?
21 A. Yeah, I think so.
22 Q. And who did you meet with at that time?
23 A. I think we met with Andy Dillon.
24 Q. I'm sorry. Who is --

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1 A. Andy is the State Treasurer.
2 Q. Anybody else?
3 A. Probably Tom Saxton at some point in time.
4 Q. And who is Mr. Saxton?
5 A. I believe he is the Deputy State
6 Treasurer, I think.
7 Q. Did you meet with any state representative
8 prior to the filing of the Chapter 9 petition
9 specifically to discuss whether the Chapter 9 petition
10 should be filed?
11 A. Not to discuss the specific Chapter 9
12 filing.
13 Q. Was your opinion -- when I say your, I'm
14 referring to you as well as your E&Y team.
15 Was your opinion about the filing of the
16 Chapter 9 petition solicited by anybody prior to
17 filing?
18 A. Not specifically in connection with
19 whether the City has to file or does not have to file.
20 I don't remember of a specific conversation whether
21 that was put forth or not.
22 Q. Was it -- did you have a conversation
23 previous -- prior to the filing with respect to
24 whether E&Y believes it would be advisable or

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1 inadvisable for the City to file Chapter 9?
2 A. No. EY specifically, our team analyzed
3 that given all of the concessions, the active work
4 force and the cost reduction efforts that had been
5 taking place in addition to some of the efforts with
6 respect to reducing the active work force as well as
7 wage reductions and combined with the declining
8 revenues, that a rationalization or a restructuring of
9 the long-term liabilities of the City may be required.
10 But EY did not specifically have an input whether
11 Chapter 9 was or was not the only alternative.
12 Q. Going back in time just a little bit, in
13 2011 and 2012, an agreement in principle, it is called
14 a tentative agreement, was reached between the City of
15 Detroit and the unions representing its active
16 employees, is that correct?
17 A. Yes, that is my understanding.
18 Q. And E&Y was involved in the negotiations
19 leading to that tentative agreement, is that right?
20 A. E&Y was involved in assisting quantify
21 some of the savings in conjunction and collaboration
22 with the City as the City negotiated with the -- its
23 unions.
24 Q. And based on your involvement, are you

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1 generally familiar with the terms of the tentative
2 agreement?
3 A. This was a while ago, so I'm not -- I have
4 not gone back and refreshed specific terms of the
5 tentative agreement.
6 Q. At the time you were familiar with it?
7 Were you?
8 A. I was generally familiar with it at the
9 time, yeah.
10 Q. And to the best of your recollection,
11 recognizing it was a while ago, the terms of the
12 tentative agreement included changes in employment
13 terms and benefits for active employees as well as
14 retirees, is that correct?
15 A. I don't remember specifically on the
16 construct of the retirees. I do remember that there
17 were changes to the overall compensation and benefits
18 provided to the active employees.
19 Q. But you don't recall specifically whether
20 it dealt at all with retirees?
21 A. Not that I can recall.
22 Q. Do you recall modeling for the City's
23 benefit any impact of these negotiated changes on
24 retiree costs to the City?

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1 A. Not that I recall with respect to
2 retirees.
3 Q. In approximately late 2012, approximately
4 October of 2012, the Mayor and City Council were
5 working on revenue enhancement measures, is that
6 right? Do you recall that?
7 A. I don't remember of a specific timeframe,
8 but there is always actions that are being undertaken
9 to ascertain and figure out ways to improve the City's
10 revenue position.
11 Q. Once the Detroit Financial Review Team
12 submitted its report to the Governor, and I'm
13 referring to Exhibit 3 from your previous deposition,
14 I think it was handed to you before?
15 MR. STEWART: What is that?
16 MR. TEELE: 3.
17 MR. STEWART: Oh, got it.
18 BY MR. TEELE:
19 Q. When this report was issued to the
20 Governor, do you recall whether the Mayor and City
21 Council publicly responded to the findings?
22 A. I do not recall of the specific response
23 on the findings to the Financial Review Team.
24 (WHEREUPON, a certain document was

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1 marked Malhotra Deposition
2 Exhibit No. 9, for identification, as
3 of 09/20/13.)
4 MR. STEWART: So what's the question?
5 MR. TEELE: Does he have the document now? I'm
6 sorry.
7 MR. STEWART: Yes.
8 BY MR. TEELE:
9 Q. Mr. Malhotra, I guess first of all, have
10 you seen this document before?
11 A. I'm sure I have it somewhere. I don't
12 remember reading it with too much detail, but I have
13 it in front of me now.
14 Q. Okay. If you look down at the bottom of
15 page 1 under 1.a, it indicates that, "The
16 Administration, Council President Pugh, Council
17 President Pro-Tem Brown, Councilmember Cockrel, Fiscal
18 staff, Ernst & Young consultants, along with Miller
19 Canfield met over December holiday break to come up
20 with a cash plan with countermeasures to get the City
21 through June 30, 2013."
22 Do you see that?
23 A. Yes, I do.
24 Q. First of all, June 30, 2013, is that the

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1 end of the fiscal year for the City?
2 A. That's correct.
3 Q. Is that why June 30 is the magic date
4 there?
5 MR. STEWART: Objection.
6 BY THE WITNESS:
7 A. It is -- it is the end of the fiscal year
8 for the City. I'll leave it at that.
9 BY MR. TEELE:
10 Q. Were you part of the Ernst & Young
11 consultants referenced here who met over the
12 December holiday break to come up with a plan?
13 A. Yes.
14 Q. And then if you continue reading in that
15 same bullet point on page 2, it says, "The conclusion
16 of the group was that full savings from City
17 Employment Terms, any new contract adjustments and
18 other cash savings measures would materialize in FY
19 2014 to absorb one time reversals without the use of
20 remaining \$50 million in the escrow account."
21 Do you recall whether that is an accurate
22 representation of what the conclusion of the group
23 was?
24 A. I don't recall at this juncture, but I can

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1 tell you that during that particular timeframe the
2 City alongside us was evaluating other significant
3 scenarios as to how further costs could be reduced or
4 cash deferrals could be made in order to assist the
5 City from running out of cash during this timeframe.
6 I do not recall specifically of the conclusion.
7 Q. Okay. And in -- is it true that the City
8 of Detroit would not have run out of cash to fund its
9 operations in fiscal year 2013?
10 MR. STEWART: Objection.
11 BY THE WITNESS:
12 A. Based on what assumptions?
13 BY MR. TEELE:
14 Q. Based on whatever measures the City had
15 been taking to reduce costs or defer expenses.
16 A. It, again, depends. I would have to go
17 back and look at that, the cash flows from that
18 timeframe for fiscal year 2013. But what my
19 recollection is that there were various scenarios that
20 we were looking at, that the City was evaluating,
21 which were predominantly related to cash deferrals or
22 some significant further changes to the compensation
23 of the active employees.
24 Q. Would you agree that the City did not face

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1 the exhaustion of its cash before the end of calendar
2 year 2013?
3 A. Can you reask that question, please?
4 Q. Do you agree from the perspective of today
5 or, more specifically, from the perspective of the day
6 that the Chapter 9 petition was filed, do you agree
7 that the City did not face exhaustion of its cash
8 until before the end of 2013 calendar year?
9 MR. STEWART: Objection.
10 BY THE WITNESS:
11 A. I would have to go back and look.
12 What I can tell you is in terms of
13 exhaustion in cash accounts on a particular day, the
14 City's general fund is a billion dollar enterprise in
15 which there is daily cash activity. That being said,
16 the amount of cash that the City has which has been
17 publicly reported has pooled cash in there, i.e., cash
18 belonging to other funds potentially and including the
19 deferral of potentially in excess of \$100 million
20 worth of pension payments already and pooling cash
21 from other funds.
22 So, at any particular point in time on
23 that date the overall cash position of the City could
24 have been negative if the City had actually disbursed

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1 and the accounts that were either commingled or
2 pooled. But I do not know of that specific time at
3 this juncture.
4 BY MR. TEELE:
5 Q. I'm trying to figure out, would you agree
6 with the statement that the City would not exhaust its
7 cash before the end of calendar year 2013?
8 MR. STEWART: Objection.
9 BY THE WITNESS:
10 A. I don't agree with that because it's based
11 on assumptions and how you look at those assumptions.
12 BY MR. TEELE:
13 Q. If the City took that position, if the
14 City took the position that it would not run out of
15 cash before the end of calendar year 2013, in a
16 pleading filed with the bankruptcy court, would you
17 disagree with that?
18 A. I'm sorry. Are you asking calendar year
19 2013 or fiscal year 2013?
20 Q. I'm asking calendar year 2013.
21 A. That's a hypothetical question. All I can
22 give you in answer is in terms of the assumptions that
23 the City was using with respect to what cash will or
24 will not be available over the course of the next few

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1 months in terms of the assumptions that were being
2 used. If that means significant deferrals and
3 continuing to increase the indebtedness, there are
4 various assumptions that can be used. So I do not
5 know of the specific assumptions you are referring to.
6 Q. Now, you know that the City filed a brief,
7 a legal pleading in the bankruptcy court arguing that
8 the City is eligible to file Chapter 9 under the
9 Bankruptcy Code; are you aware of that?
10 A. Yes.
11 Q. Did you review that brief before it was
12 filed with the bankruptcy court?
13 A. Not extensively, that I recall.
14 MR. STEWART: Jason, if you don't have enough
15 copies, I will have to insist that I have one. I
16 can't have my witness being examined with a document
17 that I can't look at.
18 MR. TEELE: You can have mine when I'm done.
19 MS. BRUNO: Okay.
20 MR. TEELE: No problem.
21 (WHEREUPON, a certain document was
22 marked Malhotra Deposition
23 Exhibit No. 10, for identification,
24 as of 09/20/13.)

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1 BY MR. TEELE:
2 Q. Have you seen the document that's in front
3 of you that's been marked as Exhibit 10?
4 A. No.
5 Q. You've never seen this.
6 MS. BRUNO: Jason, can you identify for the
7 record the Bates number on Exhibit 10.
8 MR. TEELE: Yes. It is DTM100117210 through
9 7215.
10 MS. BRUNO: Thank you.
11 BY MR. TEELE:
12 Q. I'm sorry. Mr. Malhotra, did you say you
13 have never seen this document before?
14 A. That's what I said, no.
15 Q. If you've never seen it, then I'm not
16 going to waste your time asking you questions about
17 it.
18 (WHEREUPON, a certain document was
19 marked Malhotra Deposition
20 Exhibit No. 11, for identification,
21 as of 09/20/13.)
22 BY MR. TEELE:
23 Q. Before we go very far, can you just tell
24 me if you have ever seen this document before?

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1 A. I generally recall seeing this.
2 Q. Okay. This document does not have Bates
3 numbers, but it is identified as City of Detroit
4 Restructuring Plan, Mayor's Implementation Progress
5 Report, dated March 2013.
6 Were you -- was Ernst & Young involved in
7 preparing this report?
8 A. This format generally looks like what we
9 were using, but I do not know -- remember specifically
10 what parts of this report we may or may not have
11 assisted in.
12 Q. And if you look at page 5 of the report,
13 that slide deals with the topic Financial Stability.
14 Do you see that?
15 A. Uh-huh.
16 Q. And it says that the City has a plan "to
17 address the City's \$150 million annual structural
18 deficit."
19 Do you see that at the top of that page?
20 A. Yes.
21 Q. At the time this was prepared, did E&Y
22 have a view, an opinion as to whether the \$150 million
23 of revenue and cost savings that are identified on
24 this slide were sufficient to get the City through

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1 fiscal year 2013?
2 A. So you are stretching back to fiscal year
3 2013.
4 Q. Well, to be fair, the next question will
5 be what about calendar year 2013. If you want to
6 address it all at once, go ahead.
7 A. I don't know about the calendar year 2013.
8 In terms of view with respect to running out of cash,
9 I don't remember whether this would or would not have
10 been enough, but from a fiscal year 2013 standpoint,
11 depending on the assumptions that you use. That being
12 said, that, you know, these revenue enhancement
13 initiatives and some of these cost savings may, you
14 know, have -- some of these have been already
15 incorporated, i.e., these achieved cost savings of
16 \$150 million says it's achieved, so my assumption is
17 they would have already been incorporated in whatever
18 assumptions we had.
19 Q. I'm going to jump ahead a little bit.
20 Are you aware whether the Emergency
21 Manager met with stakeholders regarding the Proposal
22 For Creditors, which is Exhibit 4?
23 A. Yes, there was -- the Emergency Manager
24 was present at the June 14 proposal in which the

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1 majority of creditors, if not all -- a significant
2 number of creditors were present.
3 Q. And were you present for that meeting?
4 A. Yes, I was.
5 Q. Where was that meeting?
6 A. That was at the Westin Hotel by the
7 airport.
8 Q. In Detroit?
9 A. That is correct.
10 Q. Were there other meetings that you are
11 aware of between the Emergency Manager and individual
12 stakeholders regarding the Proposal For Creditors?
13 A. You would have to ask the Emergency
14 Manager that. I do not know of his specific calendar.
15 Q. No. I'm asking if you are aware of any
16 meetings?
17 A. I'm not aware of whether he did or did not
18 have meetings. I do not maintain his calendar.
19 Q. And you were not present at any
20 meetings -- any such meetings, correct?
21 A. Any what such meetings?
22 Q. Between the Emergency Manager or his
23 representatives and individual stakeholders regarding
24 the Proposal For Creditors outside of the June 14th

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1 meeting at the Westin Hotel?
2 A. So, when you say individual stakeholders,
3 can you explain what you are referring to?
4 Q. Let's take a step back.
5 So the June 14th meeting at the Westin
6 Hotel, that was with many creditors, right?
7 A. That's right.
8 Q. Was it open to the public, anybody who
9 wanted to come and listen to come or was it more
10 discrete than that?
11 A. I don't recall specifically how the
12 logistics of it were handled. I do not think it was
13 open to all of the general public, but I'm not sure.
14 I do not believe it was.
15 Q. But there were different -- there were
16 several different creditors in -- in attendance, as
17 far as you know, correct?
18 A. That is correct, yes.
19 Q. So there would have been financial
20 creditors like bondholders present, do you know?
21 A. That's my assumption, yes.
22 Q. And were employee representatives, such as
23 unions, like AFSCME, my client, do you know if those
24 kinds of creditors were also present?

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1 A. I think they were.
2 Q. So, after that meeting, are you aware --
3 did you attend any meetings with the Emergency Manager
4 and any individual creditor group regarding this
5 Proposal For Creditors?
6 A. We've had meetings subsequent to the June
7 14th proposal. I do not recall if the Emergency
8 Manager was present in person or not, but along with
9 the other advisers that have been helping the City,
10 there have been meetings with other stakeholders to
11 discuss things like healthcare plans, both on the
12 active and retiree side, but if -- I do not recall if
13 there was a specific meeting where Kevyn was or was
14 not involved.
15 Q. Okay. And do you recall who you met with
16 in terms of the stakeholder group?
17 A. I think in general at the meetings for
18 the -- on the healthcare side were with some of the
19 union representatives and that there were similar
20 meetings on the retiree side. However, at that point
21 in time, there was not an official retiree committee
22 that was appointed, at least as of June 20th from what
23 I recall.
24 Q. Do you remember approximately when the

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1 last of those meetings occurred?
2 A. When the last of which meetings
3 specifically?
4 Q. The meetings with the Emergency Manager's
5 representatives or consultants, such as EY, and
6 individual stakeholder groups?
7 A. There was a meeting a week or ten days ago
8 with the Official Committee of the Retirees and their
9 respective advisers along with Kevyn Orr and his
10 advisers.
11 Q. And was that meeting specifically to
12 discuss the Proposal For Creditors or was that a
13 meeting generally to discuss, you know, what's
14 happening in the bankruptcy case?
15 A. I think that that's -- when you asked --
16 your question was when was the last meeting, that's
17 what I thought you said.
18 Q. The question was when was the last such
19 meeting, such meeting being the meeting where the
20 Proposal For Creditors was discussed with individual
21 stakeholders?
22 MR. STEWART: I think that reveals the defect in
23 the form because the client couldn't follow the
24 question. Why don't you start over again so we don't

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1 have this ambiguity in the record.
2 BY MR. TEELE:
3 Q. Hopefully that clarifies it.
4 Do you understand the question now?
5 A. I think I would like you to ask the
6 question again, please.
7 Q. So, on June 14th there was a meeting
8 between the emergency manager and his representatives
9 and various stakeholders in the City's bankruptcy
10 case -- or potential bankruptcy case regarding the
11 Proposal For Creditors, correct?
12 A. Yes.
13 Q. And I think you testified that subsequent
14 to June 14th, you're aware of meetings between
15 representatives of the Emergency Manager and
16 individual creditors regarding the Proposal For
17 Creditors. Did I --
18 A. That is correct.
19 Q. And I'm asking you, when was -- to the
20 best of your knowledge, when was the last meeting --
21 when did the last meeting take place at which either
22 the Emergency Manager or his representatives were
23 present along with individual creditors of Detroit for
24 the specific purpose of discussing the Proposal For

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1 Creditors?
2 MR. STEWART: Can I have the question reread,
3 please.
4 (WHEREUPON, the record was read
5 by the reporter as requested, as
6 follows:
7 "Q. And I'm asking you, when
8 was -- to the best of your knowledge,
9 when was the last meeting -- when did
10 the last meeting take place at which
11 either the Emergency Manager or his
12 representatives were present along
13 with individual creditors of Detroit
14 for the specific purpose of
15 discussing the Proposal For
16 Creditors?")
17 BY MR. TEELE:
18 Q. That's a horrible question. Let's ask it
19 this way.
20 To your knowledge, when was the last
21 meeting with stakeholders before the Chapter 9 filing?
22 A. There were a series of meetings that were
23 happening between the June 14th timeframe and when the
24 Chapter 9 filing took place. I do not know if -- and

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1 I was not present in every single meeting. So I do
2 not know of the last specific date. But there were a
3 series of meetings between the June 14 proposal and
4 the filing date with not only, as you said, the banks
5 as one of the stakeholders, but also discussions with
6 union members or, you know, potentially some retirees.
7 Q. Do you know whether the June 14th proposal
8 for creditors has been revised at all?
9 A. Not -- not -- not to my knowledge
10 specifically that it has been revised from an overall
11 structure standpoint. I mean, are you -- do you have
12 a specific question on that June 14th proposal?
13 Q. I just want to know if any changes have
14 been made based on any meetings with stakeholders,
15 that you are aware of?
16 A. I do not -- I do not know -- I need to
17 just give some thought through all of the back and
18 forth where the City was soliciting input and from its
19 different stakeholders, you know, what the revisions,
20 if any, have been. But I'm just trying to recall if I
21 know of any specific changes that have already been
22 incorporated based on either recommendations of
23 proposals, if any, that were made by some of the
24 different stakeholders.

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1 Q. Going back a little bit, with respect to
2 the ten-year projections, do you recall who instructed
3 EY to begin compiling or preparing the ten-year
4 projections?
5 A. I think it was generally the former CFO
6 and the former program management director.
7 Q. And they did that prior to or after the
8 appointment of the Emergency Manager?
9 A. I have to recall. We started with a
10 five-year projection that we would start figuring out
11 whether we do a five-year or a ten-year and then we
12 transitioned from five-year to ten-year. I don't
13 recall specifically at what timeframe.
14 Q. And then why did you transition from
15 five-year to ten-year?
16 A. Just from the nature of looking at the
17 City's liabilities, having a longer term view was more
18 relevant versus having a shorter term view.
19 Q. Generally speaking, the longer you project
20 financial performance of an entity, government entity
21 or even a private entity, does your confidence in the
22 results shown in the projections decrease with the
23 longer period? In other words -- I'm sorry.
24 Did you understand that question?

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1 A. I did.
2 Q. Okay.
3 A. As long as you are making reasonable
4 assumptions for a five-year or a ten-year timeframe,
5 the comfort along certain assumptions in the short
6 term when they are based on recent trends is always
7 higher than projections that are in the long term.
8 That being said, it also depends on the reasonableness
9 of the assumptions in terms of the comfort level.
10 Q. And is it true that EY did not compile the
11 data that is included in the buildup to the ten-year
12 projections?
13 A. We did not audit the data. When you say
14 compile the data, if you can rephrase your question.
15 Q. You took data from other sources, for
16 example, from the CAFR, the Comprehensive Annual
17 Financial Report, right?
18 A. That was one source.
19 Q. Right. That's one source. And there are
20 other sources.
21 And you took data that was compiled by
22 other consultants retained by the City, for example,
23 by Milliman, is that right?
24 A. For certain assumptions.

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1 Q. And you used information that you were
2 able to obtain directly from the City's -- directly
3 from the City, the different agencies and departments
4 of the City in your ten-year projections, right?
5 A. Not necessarily. The City does not have
6 any ten-year projections currently. The data that we
7 used was based on ascertaining what historical
8 information was available and then using those --
9 using that data alongside some of the assumptions that
10 we got from the other advisers, helping pull together
11 ten-year assumptions. I do not know of any ten-year
12 assumptions the City had historically that we would
13 have used as a starting point.
14 Q. But you didn't create the historical -- in
15 other words, you didn't -- again, you didn't create
16 the historical data yourself from -- from original
17 sources, did you? You took -- did you?
18 A. When you -- you've got to rephrase that
19 question.
20 Q. You took the historical data directly from
21 the City?
22 A. The City's historical data, we took the
23 data that the City gave us and then made sure that
24 what data was reasonable, how we would actually look

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1 at the assumptions and that historical data. So we
2 had to look at the data, look at what the assumptions
3 were with respect to how that data was classified, how
4 that data was categorized to make sure that we could
5 actually use that data. So there wasn't just a raw
6 data dump in which we could use that data in its
7 original form without having to analyze it further.
8 Q. All right. See, that's where my confusion
9 is, because I thought that you had testified earlier
10 that you didn't really audit data?
11 A. That's right.
12 Q. And you didn't go back to --
13 MR. STEWART: You have to wait for a question.
14 He is not asking you a question.
15 BY MR. TEELE:
16 Q. And you didn't, for example -- and I think
17 you gave this example, you didn't go back to the
18 original bond offering documents to make sure that the
19 amounts stated in the data that you were using was
20 correct, right?
21 MR. STEWART: Well, wait a minute. What's the
22 question? That was a speech essentially. Just ask a
23 question.
24 BY MR. TEELE:

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1 Q. I'm going to move on. It's a point of
2 confusion in my head, but I'll move on.
3 MR. STEWART: I think the transcript will clear
4 it up. I think it was covered.
5 MR. TEELE: I don't have anything further.
6 Thank you.
7 MR. STEWART: Does anyone else have questions?
8 MS. BRUNO: Why don't we take a short break so I
9 can communicate with everyone on the phone.
10 MR. STEWART: Okay.
11 MS. BRUNO: And then we can come back to you.
12 MR. STEWART: Okay.
13 (WHEREUPON, a recess was had
14 from 12:22 to 12:30 p.m.)
15 MS. BRUNO: We are back on.
16 Counsel on the phone, we are back on the
17 record. And I believe when we went off the record, we
18 were going through the people on the phone on a roll
19 call to see if anyone has any questions for
20 Mr. Malhotra.
21 MR. PLECHA: Ryan Plecha from the Association
22 Parties, we do not have any questions.
23 MR. STEVENSON: This is John Stevenson from
24 Clark Hill. I do not have any questions.

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1 MS. TAUNT: Meredith Taunt on behalf of the
2 Retired Detroit Police Members Association. We do not
3 have any questions.
4 MS. BRUNO: Anyone else on the phone?
5 MS. KAUFMAN: This is Dana Kaufman for Financial
6 Guaranty Insurance Company. We do not have any
7 questions.
8 MR. STEWART: This is Jeff Stewart, I have just
9 a few questions of Mr. Malhotra, from Jones Day. I
10 represent the witness and also the City, just a few
11 questions.
12 EXAMINATION
13 BY MR. STEWART:
14 Q. Mr. Malhotra, you were asked in your
15 deposition about a document called the Comprehensive
16 Annual Financial Report of the City of Detroit.
17 Do you remember being asked about that?
18 A. Yes.
19 Q. That's sometimes called a CAFR, C-A-F-R?
20 A. Yes.
21 Q. Did E&Y audit the CAFR?
22 A. No.
23 Q. Or audit the accounts that led to the
24 creation of the CAFR?

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1 A. No.
2 Q. Was the CAFR audited?
3 A. Yes.
4 Q. Audited by who?
5 A. KPMG.
6 Q. And tell us who or what is KPMG?
7 A. KPMG is the City's auditor and it is
8 another Big 4 accounting firm.
9 Q. Is it one of the international accounting
10 firms that is known in the United States and
11 elsewhere?
12 A. Yes.
13 Q. Comparable to E&Y in terms of what it
14 does?
15 A. Generally, yes.
16 MR. STEWART: Okay. That's all I have.
17 Thank you.
18 MR. TEELE: I have no questions.
19 MR. STEWART: So is the record closed?
20 MS. BRUNO: It is at this time.
21 MR. STEWART: Okay.
22 (Time Noted: 12:32 p.m.)
23 FURTHER DEPONENT SAITH NOT.
24

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REPORTER'S CERTIFICATE

1 I, JULIANA F. ZAJICEK, C.S.R. No. 84-2604,
2 a Certified Shorthand Reporter, do hereby certify:
3 That previous to the commencement of the
4 examination of the witness herein, the witness was
5 duly sworn to testify the whole truth concerning the
6 matters herein;
7 That the foregoing deposition transcript
8 was reported stenographically by me, was thereafter
9 reduced to typewriting under my personal direction and
10 constitutes a true record of the testimony given and
11 the proceedings had;
12 That the said deposition was taken before
13 me at the time and place specified;
14 That I am not a relative or employee or
15 attorney or counsel, nor a relative or employee of
16 such attorney or counsel for any of the parties
17 hereto, nor interested directly or indirectly in the
18 outcome of this action.
19 IN WITNESS WHEREOF, I do hereunto set my
20 hand on this 21st day of September, 2013.
21
22
23
24

Juliana F. Zajicek
JULIANA F. ZAJICEK, Certified Reporter

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10 MALHOTRA EXHIBIT MARKED FOR ID

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13 No. 8 Amendment No. 7 to Statement of 18
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14 No. 9 Letter dated February 22, 2013, 89
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15 Analysis Division and David D.
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16 Analysis Division; Re: Comments
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17 Financial Review Team;
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23 SIGNATURE: _____ DATE: _____

24 GAURAV MALHOTRA

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3 Assignment No. 472371

4 Case Caption: In Re: City of Detroit, Michigan

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6 DECLARATION UNDER PENALTY OF PERJURY

7

8 I hereby certify that I have read the

9 foregoing transcript of my deposition given at the

10 time and place aforesaid, consisting of Pages 1 to

11 111, inclusive, and I do again subscribe and make

12 oath that the same is a true, correct and complete

13 transcript of my deposition so given as aforesaid,

14 and includes changes, if any, so made by me.

15

16 GAURAV MALHOTRA

17

18 SUBSCRIBED AND SWORN TO

19 before me this day

20 of , A.D. 200 .

21

22 Notary Public

23

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24 GAURAV MALHOTRA