

Bond Case Briefs

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BANKRUPTCY - MICHIGAN

In re City of Detroit, Mich.

United States Bankruptcy Court, E.D. Michigan, Southern Division - November 6, 2013 - B.R. - 2013 WL 5963141

Plaintiffs who had commenced actions challenging the constitutionality of state statute pursuant to which emergency manager was appointed for bankrupt municipality sought determination that automatic stay arising upon commencement of municipality's Chapter 9 case did not apply to their lawsuits or, in alternative, relief from automatic stay.

The Bankruptcy Court held that:

- Automatic stay, as extended to protect employees, agents and representatives of municipality that had filed for Chapter 9 relief, applied to federal lawsuit filed by residents of city challenging the constitutionality of statute pursuant to which emergency manager was appointed;
- Stay did not apply to federal lawsuit brought, not only by residents and officials of bankrupt municipality, but by residents and officials of other municipalities in Michigan for which emergency managers had been appointed, challenging the constitutionality of state statute pursuant to which these appointments were made; and
- "Cause" did not exist to modify automatic stay to allow residents and officials of bankrupt municipality to proceed with federal lawsuit.