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Lawyers, Consultants Making Millions off Detroit Bankruptcy.

Lawyers, accountants and other professionals racked up about \$13.3 million in fees and an additional \$348,000 in expenses from July to September in the early stages of the battle to restructure the bankrupt city of Detroit.

And that was before the legal ranks were called out in full force for fall hearings into whether the city was in fact eligible to file for Chapter 9. Considering that, there likely will be even larger fees when the next quarterly report comes due covering October through the end of the year.

The city has approved \$62 million in contracts with lawyers and consultants as it grapples with about \$18 billion in debt and projected long-term liabilities. And the city has budgeted \$93 million to cover restructuring costs, Bill Nowling, spokesman for emergency manager Kevyn Orr, said Tuesday.

Detroit filed for bankruptcy on July 18. To try to contain professional costs, the court appointed Chicago attorney Robert Fishman as a fee examiner. He takes all invoices and pores over them to ensure they meet strict guidelines and then provides a redacted version of the authorized costs to the city to pay.

U.S. Bankruptcy Judge Steven Rhodes has been mindful of legal costs throughout the process and worked to strike a balance between allowing all parties to have their say while keeping proceedings moving at a fast clip and encouraging mediation for a speedier resolution to Detroit's problems.

Fishman, who is paid \$600 an hour, must submit quarterly reports with the fees and expenses. This is his first reporting, and while it is months late, the report notes that all questions have been resolved satisfactorily although one firm, Ernst & Young, which provided a cash-flow analysis for the city, had to resubmit revised invoices.

When they are reviewed, they will be filed as a supplement to the report, which will bring totals up because the original fee requests for August and September total about \$2.5 million.

Nowling said the city pays 85% of the bills it receives. Now that the final fees have been authorized by Fishman and small adjustments made where there were questions or discrepancies, the city will pay the remaining balance and the books will be closed for that period of the bankruptcy.

The city pays its own professional costs and also covers the expenses of a retiree committee that was established to ensure retirees had a voice at the table.

The largest bill for the quarter was from the city's main legal firm, Jones Day, which had \$6.6 million in fees — even with more than \$1.5 million in agreed-upon discounts — and an additional \$143,000 in expenses.

Local restructuring firm Conway MacKenzie had almost \$2.3 million in fees and \$1,200 in expenses.

Miller Buckfire, whose co-president Kenneth Buckfire is the city's lead financial adviser, billed \$1.2 million and had \$51,000 in expenses. A breakdown of specific expenses is among the information that is redacted.

The four firms hired by the retiree committee cost the city just under \$2 million in fees and another \$61,500 in expenses.

"Clearly, the professional fee expenses incurred during the reporting period were substantial," Fishman said in his report. But he notes that "due to the magnitude and complexity of the case, the novelty of the legal issues, the extremely tight time frames imposed by the court and the strong differences in opinion between the various parties about what to do and how to do it, it was and continues to be inevitable that the costs associated with the services provided by the various professionals were going to be significant."

Nowling said that while the costs are high, "there is a level of comfort that they are being watched closely, the fee examiner is going over them with a fine-tooth comb and looking at everything."

When Fishman was appointed, a court document carefully spelled out allowable fees, the discounts firms were expected to include and the parameters of what constitutes a legitimate expense.

At this point in the calendar, the money set aside for professional costs should prove to be enough, Nowling said. If the \$62 million in retainers for legal contracts with the various firms runs out, further bills cannot be submitted without amending the contracts.

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