Judge Agrees to Delay Detroit Bankruptcy Trial.

A federal judge agreed on Wednesday to delay Detroit's bankruptcy trial to give the city and its fiercest opponent a chance to finish a major settlement that could speed an end to the city's court fight over its future.

A tentative deal with Syncora Guarantee, a bond insurer that said its exposure in Detroit amounted to hundreds of millions of dollars, was announced Tuesday, and Judge Steven W. Rhodes agreed to halt the trial, which began last week, until Monday so details of the deal could be worked out. A final settlement with Syncora could permit Detroit, the largest American city ever to file for bankruptcy, to emerge from court far more quickly and smoothly than expected.

For months, as the city reached deals with other creditors, including city employees and retirees, Syncora had been the most forceful and public critic, and its legal objections to the city's plan for eliminating $7 billion in debts threatened to keep Detroit in litigation for months, even years.

Describing "an agreement in principle" between the city and Syncora, newly filed court documents emphasized the significance of the deal, noting, "if this agreement is finalized within this time period as we expect, it will profoundly alter the course of the proceeding and the litigation plans of the remaining parties."

There remain significant objectors to the city's plan, and the still-unfinished details of Syncora's agreement could prove vexing, but city officials expressed optimism. "Anything that shortens the time that we're in court, that limits the objectors that we have, is good for the city," said Bill Nowling, a spokesman for Detroit's emergency manager, Kevyn D. Orr. "We're not just giving Syncora anything. They're going to have to make investments." In a written statement, James H. M. Sprayregen, a partner in the Chicago law office of Kirkland & Ellis who has worked on behalf of Syncora, described the agreement as "an acceptable resolution for all concerned."

A person with information about the negotiations, which have taken place under strict, court-ordered secrecy rules, described an unusual set of circumstances that ultimately became the basis of Syncora's deal — one that will give the insurer a stake in vehicle tolls from the tunnel that runs between Detroit and Windsor, Ontario, as well as some nearby land.

As a creditor in an earlier bankruptcy of a company called American Roads, Syncora settled its claims by taking ownership of the company in a debt-for-stock exchange. One of American Roads' assets was a five-year lease on the Detroit-Windsor tunnel. Under the new agreement with Detroit, Syncora would extend its concession by 20 years, to 2040. Some additional land adjacent to the tunnel would also go to Syncora, giving the insurer the chance to cash in on prime riverfront development projects.

A memo summarizing the agreement for Detroit's City Council, signed by Mr. Orr, described some elements as options available to Syncora. The insurer would have the option of leasing a parking garage for 30 years, for instance, if it would invest $13.5 million in repairs over the first five years of the lease. That lease would give Syncora a 40 percent return on its investment, the memo said, and one-fourth of that would be shared with Detroit.

Syncora now stands to get a recovery rate of 20 percent to 25 percent on its bankruptcy claims.

That would be a little more than double what Detroit had offered Syncora and another bond insurer with similar claims, the Financial Guaranty Insurance Company, of New York. Both insurers stood to receive 10 cents on the dollar, or less, under Detroit's proposed bankruptcy-exit plan, one of the lowest recoveries in the blueprint.

It was uncertain as of Tuesday evening whether Financial Guaranty would accept the new terms. And negotiations with other parties in the coming days will determine whether the deal goes through. Two banks that underwrote the 2005 borrowing that Syncora helped insure, Bank of America and UBS, must still decide whether to release Syncora from its obligations as an insurer.

All along, the city's plan to emerge from bankruptcy had drawn objections from creditors who said they were to receive vastly different recoveries on their claims. Those involved with $1.4 billion of certificates the city issued in 2005 — like Syncora — could have come away with little or nothing, while city workers with pensions would take comparatively smaller losses. Yet if settlements with Syncora and others are completed, this case may not provide a judge's reasoned answer to a question some in the municipal bond industry have been awaiting: whether a city may shelter municipal retirees even as it forces tougher losses on bondholders and other financial-markets creditors.

Earlier on Tuesday, Detroit reached an agreement with its suburban neighbors to lease its water system to a new regional authority, a move that, like the tentative agreement with Syncora, could remove further opposition to Detroit's bankruptcy plan.

Under the lease agreement, the city would receive $50 million a year for 40 years, then use the money to repair the vast, aging water and sewer system. Detroit would still hold title to its more than 7,000 miles of water mains and sewer pipes, while the newly created Great Lakes Water Authority would give officials of three nearby counties more say over how the system is run and what it charges customers.

The deal also calls for using $4.5 million a year to help struggling Detroit residents stay current on their water bills. Detroit cannot afford such an assistance program on its own, and city officials in recent months have been sharply criticized for turning off some residents' water when they fell too far behind.

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