[Bond Case Briefs]

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[NYT: Detroit Reaches a Deal With a Key Creditor, but Others Balk at Plan.]

DETROIT — A major opponent to Detroit's blueprint for shedding debts and remaking city services announced Monday that it has reached a settlement with the city and would now support Detroit's emergence from the nation's largest municipal bankruptcy.

But another of Detroit's holdout creditors was unable to reach a settlement on the same bankruptcy claim after several days of mediation, lawyers said on Monday, leaving uncertain how quickly the city could shed debts and emerge from reorganization.

Representatives for Syncora Guarantee, a bond insurer that had for months been vociferous in its objections to the city's proposed blueprint, told a federal judge overseeing Detroit's bankruptcy that it would now support the city. "This is a big day for Syncora and a big day for the city of Detroit," said Ryan Bennett, a lawyer representing Syncora, which has said its exposure in Detroit amounted to about $400 million.

David G. Heiman, a lawyer representing the struggling city, described the settlement as a significant step in bringing Detroit closer to departing court oversight "as soon as possible and to return the city to its citizens."

Still, representatives of Financial Guaranty Insurance Company of New York, another bond insurer, and some other creditors at the same ranking in bankruptcy, will miss out on a portion of the money that Detroit used to close its deal with Syncora. They made it clear that they intend to continue their objections to the city's reorganization plan, and sought a delay in the city's trial in order to further prepare their cases now that Syncora has settled and the city was preparing to file a revised blueprint including that settlement.

Last week, Syncora abruptly announced an agreement in principle with the city, a week into a trial over whether Detroit's exit strategy could be confirmed by the bankruptcy court. Until its announcement, Syncora was one of a few remaining opponents of Detroit's plan of debt adjustment, and one of the most insistent. Syncora went so far as to file a formal objection to the handling of the case under a team of mediators led by Gerald E. Rosen, who is also the chief judge of the United States District Court for the Eastern District of Michigan, the seat of Detroit's bankruptcy court.

Syncora argued that Judge Rosen was biased and his leadership of the mediation had given rise to a settlement plan that improperly favored Detroit's retirees over capital-markets creditors. Syncora retracted those objections on Monday and offered a full-throated apology to Judge Rosen.

When Syncora said last week that it had a preliminary agreement with the City of Detroit, the confirmation trial was halted until Monday, so that representatives of Syncora and other parties to the bankruptcy could attempt to agree on specific details of a settlement.

Preliminary outlines of Syncora's agreement said that it offered Syncora a stake in vehicle tolls from the tunnel that runs between Detroit and Windsor, Ontario, as well as interests in some land that would rise in value as Detroit's recovery went forward. But Syncora said Detroit had offered those items outside of the bankruptcy, in what it called a "redevelopment agreement." That meant that none of the assets being offered to Syncora would be shared with Financial Guaranty, or the other creditors that hold uninsured certificates in a 2005 borrowing which are now in default.

That left Financial Guaranty and the others with a far less satisfying settlement with Detroit, even though they were said to be getting the same recovery rate in the bankruptcy as Syncora, roughly 13 cents on the dollar. This outcome left Financial Guaranty and the other creditors to soldier on alone in their fight against the plan of adjustment. Although Financial Guaranty's claims were classified the same as Syncora's, its proposals for an acceptable settlement were different. For months, it has been making the case that the city's art collection should be included in the assets available for settlements, and it had been working with a lending consortium on a loan for Detroit that would be secured by the art.

Since early this year, Detroit officials have said they hoped to reach agreements with as many of their thousands of creditors as possible to speed the process of leaving bankruptcy, to avoid endless appeals over core issues like cuts to pensions and to be able to move ahead. For months, as Detroit reached deals with groups of creditors, including city workers and retirees, Syncora and Financial Guaranty had held out, becoming the city's most outspoken adversaries. Among their complaints about Detroit's plan to shed $7 billion and spend about $1.5 billion on city services: that it favored retirees as it forced much harsher losses on the investors who took part in the 2005 borrowing, and the two insurers themselves. The borrowing raised $1.4 billion to help fund the retirees' benefits.

As a trial opened here on Sept. 2, lawyers for the insurers made it clear that they had no intention of allowing the city's plan to win approval without an intense legal fight. Early estimates suggested the trial would run well into October, though a broad deal could shorten that significantly. Last week, too, deals were announced with Detroit's suburban neighbors for leasing the city's water system to a new regional authority, removing another impediment to a smooth departure from court.

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