

**LITIGATION & FINANCIAL SERVICES:  
BROKERING A FAIR DEAL IN THE DETROIT BANKRUPTCY**

**MARKETPLACE DEFENSE CASE STUDY**

**our client**

One of the largest creditors holding Detroit municipal bonds

**the issue**

The city of Detroit was forced into bankruptcy with \$19 billion in debt. Our client had hundreds of millions of dollars at stake.

**the challenge**

The politics were heavily weighed against our client. The media, politicians, judges and pundits were focused on preserving the pension benefits of retired city workers as well as avoiding the sale of any of Detroit's assets, including its valuable art collection. Our client and other creditors were being portrayed as villains for merely asking for a seat at the table and fair treatment during negotiations.

**the opportunity**

Bankruptcy law was on the side of our client. All "similarly situated" creditors are supposed to be treated the same. Sympathetic creditors do not have any advantage over unsympathetic creditors in a court of law. The media and much of the pundit class had no knowledge of the law or the potential consequences to Detroit of treating creditors unfairly. These consequences included higher rates for future borrowing and a long, drawn-out process of appeals that would delay any solution.

**the plan**

We put political heat on the major players – the governor, appointed bankruptcy manager, state legislature, city council and judges – while delaying settlement until our client was brought to the negotiating table.

Strategizing with the legal team, we positioned the client as unwilling to approve any Plan of Adjustment that treated our client unfairly and we demonstrated our client had the will and resources to litigate to the bitter end.

At the same time, we recruited allies to echo the message that treating financial creditors unfairly would have future negative consequences for the city. The voices came from the left and right and included minorities, government watchdogs and taxpayer advocates. These groups and individuals advocated through op-eds in publications such as The Detroit News, Detroit Free Press, Lansing State Journal as well as online publications such as The Huffington Post. Advocacy included letters and emails to legislators, advertisements and activation of our allies' membership groups.

Simultaneously, we conducted an intensive campaign to educate reporters covering the issue on bankruptcy law, conducting more than 10 off-the-record background briefings that ultimately included more than 30 reporters. We also conducted briefings for editorial boards, including *The Wall Street Journal*, as well as for opinion columnists.

**the result**

Our intense, nine-month campaign paid big dividends for the client. Local newspaper columnists, as well as some national experts, eventually started encouraging the city and judges to make a deal with creditors. The politicians wanted to bring what they thought was going to be a two-month, but instead ended up being a nine month process, to an end.

Our client was originally offered six cents on the dollar, but ultimately secured a deal that would result in almost 40 cents on the dollar. The firm credited our action plan as being the decisive factor in forcing this much more advantageous settlement.