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Bankruptcy Group Of The Year: Weil

By **Rick Archer**

Law360 (January 30, 2020, 3:19 PM EST) -- Weil Gotshal & Manges LLP has had another year of headline-capturing cases, handling both the largest and second-largest bankruptcy filings of the year and guiding one of 2018's largest filings to a sale to earn a spot among Law360's 2019 Bankruptcy Groups of the Year.

As one of the cases that won Weil its 2018 spot on the list moved forward, it was able to shepherd Sears Holdings Corp. through a $5.2 billion sale of 425 Sears and Kmart retail locations to ESL Investments, a firm owned by former Sears CEO Edward Lampert, before the end of February.

"Against all the odds we were able to sell the assets within 100 days," said Ray Schrock, co-chair of the firm's business finance and restructuring department and a member of Weil's team on the case. "A lot of people thought it was impossible, but we were able to get there."

Squabbles about the details of the deal and questions about Sears' ability to pay its administrative creditors continued throughout the year, but Weil won approval in October for a Chapter 11 plan that will only go into effect once the estate has reaped enough from clawbacks and lawsuits to cover its bankruptcy expenses.

To handle matters like these, Weil has been able to draw on an experienced bankruptcy team as well as top corporate, tax, and mergers and acquisition teams where most of the members have worked a bankruptcy case or two, Schrock said.

"I think this is the only firm with a substantial restructuring practice where there are more attorneys that have worked in restructuring than not," Schrock said.

This sort of depth has made the firm sought after for "monster" bankruptcy cases, said Gary Holtzer, another restructuring group co-chair.

"We have a tendency to win these matters. We are a destination firm for these large, complicated matters," he said.

And one of the largest monsters of 2019 was Pacific Gas & Electric's Chapter 11 filing. Among the nation's largest electric utilities, PG&E sought bankruptcy protection in January in the face of more than $30 billion in potential liability for years of deadly wildfires blamed on the company's equipment.

Over the course of 2019, Weil worked with the utility to cut more than $25 billion in deals with fire victims, insurance companies and government agencies; to battle federal regulators over its right to cancel $42 billion in electric contracts; and to deal with an alternative Chapter 11 plan filed by company bondholders, all the while working toward a June 2020 deadline to exit bankruptcy in order to qualify for a $21 billion state wildfire insurance plan.

The firm's London office allows it to do cross-border work as well, with the July bankruptcy of global logistics group Syncreon International Group as a prime example. While the company is headquartered in Michigan, Weil determined that changing the language in one of its governing documents to allow an British restructuring proceeding would create a case with orders enforceable in the widest number of jurisdictions, vital for a company with operations in 20 countries on six continents.

The firm also had to seek out a unique solution for the February Chapter 11 case of mortgage servicer Ditech Financial LLC, the second-largest bankruptcy filing of the year.

Under a bankruptcy plan confirmed in September, the company will sell its forward mortgage business for about $1 billion and its reverse mortgage business to a separate buyer for $762 million. It will set aside $10 million to pay claims from individual homeowners who say Ditech illegally foreclosed on them or otherwise mishandled their mortgages.

Ditech, which went from filing to plan approval in seven months, is an example of what Weil said is a trend of more rapidly paced bankruptcy cases.

"The idea of being in bankruptcy 12 to 18 months, those days are kind of gone," said practice co-chair Matt Barr.

They said they also have seen a trend of "more sophisticated" creditors coming together into ad hoc groups sooner and sooner in a way that can catch debtors off guard.

"The company is frankly not ready to engage, one way or the other," Barr said.

The practice group said this, along with more involvement from private investors and claims traders, has resulted in more contentious cases — with Schrock noting the Sears case has seen six full-fledged trials so far — but not longer ones, with the conflicts unfolding fast and furious and then leaving the way clear for a final resolution.

"The cases happen in a supernova fashion," Holtzer said.

With nine new partners added to the group in the U.S. over the last four years, Barr said the group has a "forward-looking" and "youthful" practice.

"There's not many partners at their level that have been able to get the experience they've been able to get," he said.

"We're very excited about the trajectory of the department," Schrock added.

--Editing by Adam LoBelia.