THE AMERICAN LAWYER
An ALM Publication
americanlawyer.com
APRIL 2020

2020 DEALMAKERS OF THE YEAR

Ray Schrock
Weil, Gotshal & Manges

In October 2018, retail giant Sears filed for Chapter 11 bankruptcy. Just 115 days later, the company was sold. The goliath restructuring involved approximately 700 stores, 68,000 employees and $11 billion in debt. The case also involved three top-tier attorneys from separate Am Law 100 firms representing different interests.

Weil, Gotshal & Manges bankruptcy partner Ray Schrock represented Sears Holding Corp., which was facing dozens of competing creditors, many of whom were calling for liquidation. Yet through a novel $240 million "wind-down account" that helped allay creditor fears and the liquidation of some 260 stores, Schrock and his team helped Sears finalize a $5.2 billion sale to one of its biggest investors, as well as former chairman and CEO Edward Lampert and his hedge fund, ESL Investments.

"The sheer magnitude of work that had to be accomplished in this short of time, I've never seen anything like it," Schrock says. "It can only happen at Weil."

Representing the unsecured creditor's committee were Ira Dizengoff and his team at Akin Gump Strauss Hauer & Feld. Dizengoff and the creditors advocated for liquidation, engaged in a tense three-day trial. While the sale to Lampert went through, Dizengoff blocked a full release for Lampert and ESL Investments.

Instead, the buyers negotiated a partial release so that the primary causes of actions were preserved on behalf of the creditors and handed over to a litigation trust along with $25 million in cash. Akin Gump is now counsel to a lawsuit that has already been filed against Sears on behalf of 52 defendants, including ESL.

"It was like a giant chess match wrapped in a jigsaw puzzle. Nobody is ever happy, but they're happy enough," Dizengoff says.

Operating in the middle of the process was Paul, Weiss, Rifkind, Wharton & Garrison restructuring co-chair Paul Basta, who worked for Sears' independent restructuring subcommittee. Basta and his team immediately went to work to try to get their hands around the company's potential causes of action so they would be prepared for a sale and help resolve whether Lampert and ESL Investments would receive a release under the transaction.

"We were able to preserve a tremendous amount of jobs and keep the company going while we preserved the causes of action for the creditors," Basta says.

—Dylan Jackson