

Bankruptcy Group Of The Year: Latham

By Vince Sullivan

Law360 (January 29, 2020, 4:10 PM EST) -- Latham & Watkins LLP earned big wins over the past year for its work on large, complex Chapter 11 cases, including the \$4 billion restructuring of chemical giant Hexion Inc. and the international prepackaged bankruptcy of oilfield services company Weatherford International PLC, earning the firm a spot on Law360's 2019 Bankruptcy Groups of the Year.

With 190 restructuring attorneys working worldwide, Latham strives to achieve consensus before filing Chapter 11 petitions on behalf of its clients, but it stands ready to litigate vigorously should agreements prove elusive.

This philosophy became evident throughout 2019 as the firm successfully orchestrated pre-filing deals that paved the way for quick restructurings of two companies with debt loads of more than \$4 billion.

In its representation of chemical maker Hexion, Latham started off with a complex capital structure consisting of five tranches of debt, all with divergent goals in the looming Chapter 11 case.

George A. Davis, the firm's global chair of the restructuring and special situation practice, told Law360 that Latham is experienced in navigating difficult circumstances with potential adversaries with an eye toward avoiding time-consuming and costly litigation, and it wielded that experience as it prepared Hexion's Chapter 11 filing.

"We try to figure out how to thread the needle in a way that we can get to global consensus and bring everyone together before filing," Davis said. "That's always our goal: to make the Chapter 11 as efficient and impactful as possible."

Negotiations began with the senior lenders, and Latham later engaged with more junior lenders, Davis said. Without committing to either party, the firm was able to bridge the gaps between the disparate creditor bodies and arrive at a plan agreeable to all.

While achieving consensus is always the preference, restructuring partner Richard A. Levy said Latham always carries a stick if the carrot approach doesn't work out.



"We're very strategic in how we approach these cases. We've got the muscle if we ever need to deploy it," Levy said. "But we can also think through the issues strategically. People respect the vision I think we bring to these cases."

Jeff Bjork, the firm's vice chair of the restructuring practice, said bankruptcy cases aren't handled only by bankruptcy attorneys at Latham. A robust team of practitioners from other practice areas are always in the wings, able to advise and assist with the myriad legal issues that crop up in Chapter 11 cases.

If that drive toward consensus begins to flag, Bjork said the Latham team is able to generate pressure to bring the parties closer together.

"What we combine that approach with is world class, top-tier litigation and corporate tax attorneys, among others," he said. "We have the tools necessary to create leverage to drive to a deal."

The prepetition efforts of the firm allowed Hexion to file its Chapter 11 petition in April 2019 alongside a prepackaged plan, which was confirmed by the court in less than three months. The plan slashed more than \$2 billion from the company's balance sheet, reducing its obligation by more than 50%.

When the firm engaged with Ireland-based oil and gas services provider Weatherford International last year, it was faced with a similarly complex case. With more than 250 direct and indirect subsidiaries domiciled in the U.S., Ireland, Bermuda and elsewhere, the restructuring required speed and precision.

Latham sought to tailor the Chapter 11 filing as narrowly as possible to allow for a quick restructuring as some of the international jurisdictions implicated in the case do not have bankruptcy laws that allow for Chapter 11-type transactions.

As it prepared the case, the firm was able to move just a small portion of the debtor's subsidiaries into bankruptcy with a prepackaged plan, then trimmed \$5.8 billion of its \$8.6 billion in debt, all of which was unsecured.

According to Davis, prepetition negotiations were difficult as the largest creditors were more interested in exchanging their debt for secured debt than in completing a balance sheet restructuring. He said such a transaction would only serve to extend the maturity dates of a large portion of the existing debt and wouldn't address the underlying problems in the balance sheet.

Much of the firm's efforts were focused on changing that view among the creditor body, Davis said.

"It was like turning the Titanic to get them to agree and get their head around doing a deleveraging transaction," he said. "Once we were able to get them to change their perspective, then it was not that complicated of a case."

Filing in early July 2019, the plan received court approval in less than three months.

These wins are attracting more clients, especially debtor clients, Davis said, and he is eager to see the restructuring practice continue to expand.

"I feel like we're on a very nice, upward trajectory in terms of the matters we're handling," he said. "We're growing the size of the group at a record pace."

While its company-side representations have garnered most of the headlines over the last year, he said Latham isn't losing sight of its roots representing creditors.

"We're very excited about the future. We've got a great platform and Latham has a great culture," Davis said. "Our group is very strong and collegial and we're excited that it's growing."

--Editing by Adam LoBelia.