

Bankruptcy Group Of The Year: Latham & Watkins

By **Stewart Bishop**

Law360, New York (January 07, 2014, 7:52 PM ET) -- Latham & Watkins LLP's restructuring, insolvency and workouts practice guided US Airways Group Inc. through its merger with bankrupt American Airlines Inc. parent AMR Corp., creating the world's largest airline, and deftly took A123 Systems Inc. through a cross-border restructuring fraught with political uncertainty, landing it a spot among Law360's Bankruptcy Groups of the Year.

With bankruptcy professionals in 10 different offices around the globe, Latham is well-positioned to take advantage of the rise in global restructurings, as evidenced by its work last year on behalf of the Goldman Sachs Group Inc. in connection with the first-ever Sharia-compliant debtor-in-possession to exit financing under Loan Market Association documentation, in the Chapter 11 case of Bahraini investment bank Arcapita Bank B.S.C.

That action represented the first-ever approval of a Sharia-compliant DIP financing and exit financing package by a U.S. bankruptcy court, a milestone Latham credits to its years of work on the global stage.

"More and more frequently, we see cross-border problems and we are able to help because of our experience globally," said Latham partner Mitchell A. Seider, the global co-chair of the firm's restructuring practice group.

That international savvy came in handy this past year with A123, as Latham managed the sale of the bulk of the bankrupt battery maker's assets to Chinese firm Wanxiang Group Corp., in a restructuring that brought up national security concerns as well as substantial political heat due to A123's substantial assistance from the Obama administration, including a \$249 million clean energy stimulus grant.

Seider said the outside attention from critics of the company's relationship with the government, including several on Capitol Hill, and those who were uncomfortable with the sale of a federally backed company to a Chinese firm required the Latham team to really focus on what was going on in court as well as how that would be portrayed in the press. He stressed that Latham attorneys worked not to allow the public side of the story to overtake the restructuring story.

"I think the public interest in the case did not necessarily change the approach that was taken," Seider said. "The balance sheet was what it was, the sale of the assets to Wanxiang was the right solution."

In another high-profile case that drew its share of pressure from those in and outside the government, Latham took longtime client US Airways and successfully convinced an initially reluctant American Airlines to accept a marriage with its onetime rival in the context of its Chapter 11 proceedings.

When US Airways first approached American Airlines about a possible merger, it was rebuffed, with American Airlines insisting on emerging stand-alone from bankruptcy.

Undaunted, Latham's client decided to hammer out future contracts with the airlines' unions premerger, an unprecedented move in the world of airline tie-ups, in which union deals often drag on for years. American Airlines soon changed its tune towards its suitor, and the merger was made official in December.

"Not infrequently in the Chapter 11 context, union issues get addressed toward the end of the process," Seider said. "I think by taking steps to have contracts in place at the beginning, US Airways was able to have a major piece of the puzzle solved. That was a huge tactical advantage."

It was another global effort on behalf of Latham, which also utilized M&A and finance partners in Silicon Valley and antitrust attorneys in San Francisco and Brussels to seal the deal. Latham's bankruptcy partners further had to deal with the wrench thrown into the process by the U.S. Department of Justice's antitrust challenge to the merger.

"On the part of our restructuring lawyers, there was some pretty deft dancing to keep it afloat during that time," Seider said.

He said both the high-profile US Airways and A123 cases shared the common theme of the importance of how best to strategically deliver the best value to the client in the face of adversity.

Latham's restructuring practice boasts 27 dedicated partners, a proportional number of associates, as well as others outside the U.S. who aren't primarily bankruptcy attorneys but who can handle insolvency issues in foreign jurisdictions.

Historically, Latham's restructuring group has been known for its strong lender practice, but over the past eight to nine years, there has been an increasing focus on building up its company practice as well as its services to those acquiring assets and operating businesses of troubled companies, according to Seider.

It's that "three-legged stool" that has formed the basis for the restructuring group's past success, as well as its future growth, he said.

--Editing by Stephen Berg.