

Dealmakers Q&A: Latham & Watkins' Greg Robins

Law360, New York (September 10, 2014, 9:58 AM ET) -- Greg A. Robins is a member of Latham & Watkins LLP's banking practice. Robins practices primarily in the leveraged finance area representing investment banks, commercial banks and other sources of debt capital in financing leveraged acquisitions, recapitalizations, projects and other transactions.

As a participant in Law360's Q&A series with dealmaking movers and shakers, Greg Robins shared his perspective on five questions:

Q: What's the most challenging deal you've worked on, and why?

A: The refinancing transaction we closed recently for Swedish-based Floatel International was extraordinarily challenging. The company, an owner and operator of offshore accommodation and construction support vessels, simultaneously raised three separate financings — a U.S. term loan B, a delayed-draw term loan facility with a group of Nordic banks to finance vessels under construction, and a revolving credit facility with such Nordic bank group. Each of the term loan facilities had a first lien on particular vessels, and a crossing second lien on the vessels on which the other facility had a first lien. The revolver received superpriority recovery status within the two first liens across the entire fleet. This structure — to my knowledge the first of its kind in vessel financings in the U.S. — gives the company the ability to operate its entire fleet and manage its cash flows as a single enterprise, rather than having to manage through covenants that ring-fenced certain vessels or groups of vessels and their related earnings.

Crossing lien transactions are always a challenge — things from covenants to collateral documents need to be consistent for the structure to work properly. In this case, the differing market practices and expectations between the U.S. term loan B market and the Nordic bank markets amplified the usual challenges, especially around intercreditor issues. Layer in the unique assets involved, the need to deal with maritime laws and cabotage rules, perfecting collateral in six jurisdictions, the defeasance of an existing bond issuance and the company's desire to implement the most flexible and tax-efficient corporate and operational structure possible within the limits dictated by the different financing markets and you have a transaction as complex, challenging and rewarding as any I've ever worked on.

Q: What aspects of regulation affecting your practice are in need of reform, and why?

A: The U.S. leveraged loan market had its biggest year ever in 2013, and is on a similar trajectory for 2014. So it is hard to say that there is anything that "needs" to be reformed. That said, as the economy



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continues to globalize and markets evolve, more and more transactions will have cross-border components. More uniformity and simplicity (and as a result certainty) in security regimes, especially across continental Europe, would unlock a lot of financeable value for companies in the U.S. leveraged markets. So would more uniform (and less restrictive) rules regarding the ability of various members of a corporate family to support financing activities of the group as a whole.

Q: What upcoming trends or under-the-radar areas of deal activity do you anticipate, and why?

A: Private debt capital providers — specifically, lenders that are not regulated as bank-holding companies — have been becoming more prominent players in recent years, and I would expect that trend to continue. The domestic leveraged finance markets have historically been dominated by the big banks. But with regulators now pressuring the regulated banks with respect to financing today's more highly leveraged transactions, the opportunities for the private debt providers are increasing. It is interesting, if the market believes a certain level of leverage for a transaction is appropriate, it will find a way to achieve it. If the regulated banks can't provide it due to increasing regulatory pressures, the private pockets of capital will. There is no shortage of liquidity out there.

Q: What advice would you give an aspiring dealmaker?

A: First, be pragmatic. Your client won't care that you won a dozen points that don't matter to them in a negotiation if the cost of winning those points is a delayed execution and/or bad blood with their contractual counterparty with whom they have an ongoing business relationship (and may well be your client's client). Do your best to understand your client's needs and goals for a transaction and use that knowledge to negotiate a transaction for your client that best addresses those needs and goals. Dealmaking is about achieving the best result for your client, which often includes efficiency and good relations with the other side, not about notching victories on unimportant points on your belt.

Second, be creative where the situation calls for it. Market norms are constantly evolving. Just because something isn't presently the norm doesn't mean it can't be done. Many features considered normal in the leveraged markets today were unheard of five years ago. Just make sure your client understands when you are suggesting something outside the box that the likelihood of success is lower than an approach squarely within the bounds of present market norms.

Q: Outside your firm, name a dealmaker who has impressed you, and tell us why.

A: David Nemecek, a young partner at Kirkland and Ellis, whom I had the pleasure of working with at a prior firm and across from on a recent refinancing transaction for a well-known retail business. Dave is a good example of a lawyer who approaches transactions in the pragmatic manner I describe above. He is a retail expert and spends the time to really understand his particular client's business model prior to negotiating a deal. This permits him to negotiate hard and effectively where necessary to achieve his client's key goals, but be more flexible in areas that aren't as important. The resulting experience with Dave is an efficient, timely transaction where everyone's true needs are addressed, without a lot of unnecessary posturing or fighting.

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