

Rising Star: Kirkland & Ellis' Ray Schrock

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By **James Armstrong**

At only 39 years of age, Kirkland & Ellis LLP partner Ray Schrock has already worked on a number of extraordinary bankruptcies, including Charter Communications Inc., the fourth-largest cable operator in the U.S., earning him a spot on Law360's list of 10 bankruptcy lawyers under 40 to watch.

With \$21.7 billion in debt, Charter filed what is to date the largest-ever prearranged Chapter 11 case. Schrock, who is based in Chicago, handled day-to-day matters involved with the restructuring, working together with fellow Kirkland partners Paul Basta and Richard Cieri.



Charter's bankruptcy occurred during the credit crisis of 2008 and the beginning of 2009. At the time, debt was either not available at all or was extremely expensive, Schrock said.

In order to restructure the company in the midst of world financial turmoil, the bankruptcy team came up with the solution of reinstating debt at rates that would not have otherwise been available during the crisis.

"It was the first, and to date only, seriously contested, successful reinstatement of senior, secured debt — a landmark case," Schrock said. "Reinstatement of complex debt instruments was a unique and challenging matter to structure and litigate for all involved."

Reinstatement of debt is a viable option for some companies, Schrock said, but it was particularly attractive when the credit markets were in such distress. He added that the move was hotly contested and required some extremely careful legal work.

Through the restructuring process, Charter was able to reduce its debt by approximately \$8 billion, or by more than 40 percent, allowing the company to emerge from bankruptcy protection toward the end of 2009.

Schrock also represented American Color Graphics Inc. and its affiliates in their prepackaged Chapter 11 cases and merger with Vertis Communications.

"We had two media companies in distress, which gave rise to this unique opportunity to structure a dual-prepackaged merger effectuated through Chapter 11," Schrock said.

It had become apparent that there was an opportunity for both companies to restructure and merge, Schrock said. However, it took two months of negotiations and a lot of hard work, he said.

"It was a dual, prepackaged filing, so the cases were administered smoothly in court, but all involved will attest that the restructuring was the product of spirited, good faith negotiations among numerous stakeholders in both capital structures," Schrock said.

Investors were interested in the opportunity to combine the companies, and that did seem to be a better option than two separate restructurings, according to Schrock.

The lawyers on the case started working on the deal at the beginning of the economic downturn, and as the economy worsened, the deal became more attractive, Schrock added.

Another important bankruptcy Schrock was involved with was that of Collins & Aikman Corp., the defunct auto parts supplier that once had about 25,000 employees. Schrock worked on the ill-fated company's bankruptcy from 2005 to 2007.

Schrock was also lead restructuring counsel for homebuilder Kimball Hill Inc., which is currently in liquidation, and he played a role in the bankruptcy of Hines Horticulture Inc., one of the largest commercial plant nurseries in North America.

"We will continue to see more cases filed on a prearranged and prepackaged basis; shorter bankruptcies are and will continue to be the norm rather than the exception," Schrock said.

As we have seen private equity players and hedge funds holding more of the debt companies have, that has tended to make bankruptcies easier, Schrock said. With fewer creditors involved, it can be easier to negotiate a solution, he said.

And how does it feel to be working on cases with such staggering numbers while still under 40? Schrock said he felt privileged just to be able to negotiate with the top minds in the bankruptcy world.

"It's always a privilege to be in the room with so many talented professionals," Schrock said.

For more information about Ray Schrock, please go to www.kirkland.com/rschrock

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