



2016 Practice Group of the Year

Bankruptcy

By securing hard-fought confirmations of complex restructuring plans for major companies such as SandRidge Energy Inc. and Magnum Hunter Resources Corp., Kirkland & Ellis LLP proved to be a formidable player in the bankruptcy space in 2016, earning recognition as one of *Law360's* Practice Groups of the Year.

Landing such a spot for the fourth consecutive year, Kirkland's 122-plus lawyer restructuring group demonstrated its deft negotiation and creative problem solving skills last year by representing major energy companies and also getting the wheels further greased on Caesars Entertainment Operating Co.'s Chapter 11 plan, paving the way for a judge to grant approval earlier this month following two years of disputes with creditor groups.

"2016 was arguably our best year to date, or certainly one of them," said Edward Sassower, a partner based in New York. "We entered the year with the two largest restructurings of the year and two of the largest restructurings ever with Energy Future Holdings and Caesars. In addition, we handled a virtual avalanche of oil and gas restructurings."

After a drop in oil prices two years ago led to distress in the oil and gas

market, Kirkland's restructuring team shepherded through some of the largest restructurings in this market, including power giant Energy Future Holdings' restructuring. In August, a Delaware bankruptcy judge signed off on the first phase of the company's Chapter 11 exit, allowing it to spin off a major operating unit, Texas Competitive Electric Holdings Co. LLC, in a mostly tax-free transaction that restructures about \$25 billion in debt for EFH.

TCEH emerged from bankruptcy in October.

"The key is to be a creative problem solver," said New York partner Nicole L. Greenblatt of consensus-building.

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Kirkland got off to a strong start in 2016 when a Delaware bankruptcy judge in April gave the green light to gas and oil producer Magnum Hunter Resources Corp.'s \$1 billion Chapter 11 reorganization plan, over the objections of equity holders.

Magnum was another company that, in filing for bankruptcy protection in December 2015, cited the worldwide drop in crude oil and natural gas prices for driving it into bankruptcy.

According to Sassower, the approach taken by the firm in Magnum Hunter — of equitizing its entire capital structure — was "fairly novel" but one that would be emulated in other matters. "It worked like a charm," he said. "That became the leading strategy to help restructure these oil and gas companies. They went into bankruptcy with billions of dollars of

debt and came out with virtually no debt and often an influx of new cash.”

Success stories continued throughout the year. A Texas bankruptcy judge in September 2016 approved Kirkland-represented SandRidge Energy Inc.’s Chapter 11 bankruptcy reorganization plan to restructure about \$4 billion in debt, over shareholders’ objections.

In the non-energy sector, the firm handled other key cases, including approval of metal recycler Horsehead Holding Corp.’s reorganization plan, which cedes the company to its secured noteholders, who are owed \$205 million.

Horsehead sought Chapter 11 protection in early February 2016 after reporting that its value had plummeted to below \$500 million from an estimated \$1 billion in the fall of 2015, as the result of falling zinc prices and the forced total write-down of its Mooresboro plant.

According to Chicago-based partner Patrick J. Nash Jr., that case stands out for its weeklong valuation trial.

“We had a true battle of the experts. Confirmation would have risen or fallen on the backs of the investment banking experts,” he said. “Those types of straight-up desktop valuation

battles at confirmation are rare. They definitely don’t happen everyday. That’s a case we are pretty proud of.”

Kirkland’s restructuring team has a robust global presence, operating in the United States, United Kingdom, Europe and Asia. Firm leaders credit the coordination among lawyers across different practice areas.

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“There are lots of firms that have restructuring lawyers globally, but what makes us unique is we really operate as one group,” Nash said.

One such example of that was the firm’s continuing representation of Caesars’ Entertainment Corp.’s main operating unit, Caesars Entertainment Operating Co., in 2016. The reorganization plan, which was confirmed in early January, involved not just Kirkland’s restructuring team but tax, corporate and real estate teams, according to Greenblatt.

The proposed plan places the company’s assets into a real estate investment trust consisting of two entities, OpCo and PropCo. PropCo will directly own the properties

in the CEOC estate while OpCo is responsible for managing the properties, according to plan documents. CEOC filed for bankruptcy in Illinois in January 2015, three days after junior creditors attempted to force the company’s hand by filing an involuntary bankruptcy petition in Delaware.

Looking ahead, Energy Future Holdings’ restructuring remains very much a player on Kirkland’s line-up. The company has a pending reorganization calling for an \$18 billion sale of its assets to NextEra Energy Inc., with a confirmation hearing for the company’s overall plan set for mid-February.

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