



2018 Practice Group of the Year

Bankruptcy

Kirkland & Ellis LLP's restructuring group shepherded a handful of blockbuster cases all over the world through the bankruptcy process last year, including Balkan agriculture and supermarket giant Agrokorp's roughly \$9 billion case and iHeartMedia's \$20 billion case, the largest of 2018, earning it a place among *Law360's* Bankruptcy Groups of the Year.

One thing that sets Kirkland's restructuring practice apart right off the bat — and accounts for the number of massive cases it's able to juggle all at once — is its sheer size. Kirkland's restructuring practice currently has about 175 attorneys based primarily out of New York, Chicago, London, Munich and Hong Kong.

While that's still only a small slice of the firm's 2,500 total attorneys, restructuring partner Edward Sassower said the full-time restructuring pros are assisted by hundreds of other attorneys with different specialties over the course of any given year.

"We've got the largest restructuring practice on the planet," Sassower, who has previously been named a Bankruptcy MVP, told *Law360*.

Jamie Sprayregen, another restructuring partner who also serves on Kirkland's worldwide management committee, echoed that point, saying that while other firms "may have a Tier 1 practice in the U.S., or in the U.S.

"We've got the largest restructuring practice on the planet."

and one or two other jurisdictions, we have a Tier 1 practice in all four major jurisdictions," meaning the U.S., Asia, the U.K. and Europe.

Sprayregen and Sassower said the size of the practice isn't an accident: For the past few years Kirkland has been hiring 40 or 50 new restructuring associates per year, despite the relatively healthy global economy, and it plans to continue that aggressive hiring strategy going forward.

"We think the restructuring business is becoming less cyclical, due to disruption by tech companies and other factors," Sassower said.

"Several years ago the firm made the decision to continue investing in the restructuring practice regardless of the overall state of the economy, to really commit to having a best-in-class

practice that can take on several major cases at a time year in and year out."

Specifically, Sassower and Sprayregen said that disruption from the tech industry has contributed to a steady rate of bankruptcies in the retail, health care, media and telecom industries, among others, while the massive credit boom that accompanied global recovery efforts in the wake of the financial crisis led many companies to take on more debt than their balance sheet could actually handle.

Those trends played at least a supporting role in two of the largest bankruptcy cases Kirkland handled over the past year, Toys R Us Inc. and iHeartMedia Inc.

Toys R Us hit bankruptcy in late 2017 with more than \$5 billion in debt, and despite Kirkland's best efforts, the global retail giant announced in March that it would liquidate its U.S. operations. Over the past year, Kirkland was able to staunch the bleeding and keep that process as

stable as possible, striking a deal with landlords early on that's widely viewed as a model that other large retailers might use to create breathing room when deciding whether to continue or terminate leases.

Toward the end of the year Kirkland helped negotiate a \$900 million sale of Toys R Us' Asian business that will keep it alive in a handful of eastern countries, as well as an approved Chapter 11 plan that will keep its U.S. intellectual property intact and could lead to licensing opportunities or even new stores down the road.

"In some ways when a company liquidates it's even harder to get things done in a clean, organized way," Sprayregen said. "So are we happy that Toys had to liquidate? No. But we are very proud of the way the team handled things, by staying calm and keeping what could have been a very chaotic process organized and orderly."

Media conglomerate iHeartMedia filed for bankruptcy in March 2018 with more than \$20 billion in debt, the largest U.S. filing of the year. Unsurprisingly for a case of that magnitude, the process has been contentious, and several different creditor groups have pressed hard on various claims and legal theories intended, ultimately, to secure their own recoveries.

The case remains ongoing, but just last week the Kirkland team began pressing hard for approval of a plan that would put the case to rest once and for all.

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A few months before that, in November 2017, another Kirkland team wrapped up a Chapter 11 plan for fellow communications giant Avaya Inc., which had filed for bankruptcy in January of that year with more than \$8 billion worth of liabilities on its balance sheet.

Underscoring Kirkland's global reach, the firm has also been in the driver's seat on the bankruptcy of Croatian food and shopping behemoth Agrokor for the past year, and the company is currently using the U.S. bankruptcy process to put the finishing touches on a massive restructuring settlement reached over the summer in its home country.

Agrokor filed for bankruptcy in April 2017 with roughly \$9 billion in debt. The company, a vertically integrated grocery store chain that grows and processes many of the products it sells, is the largest company in southeastern Europe and represents roughly 15 percent of Croatia's total GDP.

"That was a very unique case and a very challenging one," Sprayregen said. "The government of Croatia had to pass a special law, kind of like the U.S. did for Puerto Rico, and the whole case required a massive amount of cross-border coordination, especially with Russian and Eastern European stakeholders."

The Kirkland team brought another worldwide restructuring to a close

in July, by negotiating a creditor settlement that built off of a prearranged plan to cut offshore drilling contractor Seadrill Ltd.'s \$11 billion debt load down to size.

"More than any other case, Seadrill is probably the most illustrative example of how we're able to handle truly global restructurings," Sprayregen said. "The overall process involved court proceedings in nearly 30 countries, and it took a massive amount of work by partners all over the globe to bring it to a successful conclusion."

Sassower said that even though Kirkland has been building up its restructuring practice for years, 2018 was when that strategy really started to pay off.

"This past year all of those capabilities we've been investing in really came to the forefront," Sassower said. "Not only were we able to handle cases that spanned different jurisdictions all over the world, we were able to handle several of the world's largest cases all at the same time."



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