

# Sophia Hudson



Over the past year, Sophia Hudson of Kirkland & Ellis LLP spearheaded transactions worth hundreds of millions of dollars for major companies such as Bed Bath & Beyond, Norwegian Cruise Line and WeWork, earning her a spot among Law360's 2023 Capital Markets MVPs.

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## **Why capital markets:**

While most associates decide on a specialty practice early in their careers, Hudson said she didn't choose a capital markets practice until her fourth year as an associate. Her early work with the pharmaceutical company Warner Chilcott doing capital markets transactions is what got her interested in making it her focus and eventually asking for a permanent move into the capital markets practice.

“I got to know the company, its industry and its management team, working with them on different

transformative acquisitions and dispositions,” Hudson told Law360. “I really discovered I love working with companies, getting to know them, their industries, the management team and seeing how they develop over time.”

## **Her biggest challenge of the past year:**

Former retail giant Bed Bath & Beyond, which recently liquidated and ceased operations, was in dire financial straits over the past few years. As a result of the difficult situation she entered in February 2023, Hudson said her work with the retailer on an

equity capital markets transaction posed a considerable challenge.

At the time the transaction was initiated, Hudson said, Bed Bath & Beyond was locked into a bad cycle of debt, with the company unable to purchase more inventory or to increase its revenue, because it had less inventory available to sell. Additionally, a number of lenders called a default on the debt and sought debt acceleration.

In an attempt to avoid a Chapter 11 bankruptcy filing, Hudson said her teams had a few weeks to secure a large capital infusion in the form of equity while also navigating stock

exchange rules that restrict the percentage of stock that can be sold without shareholder approval.

Along with the time constraints, another challenge was that Hudson had to lead two teams that were simultaneously negotiating different transactions before they decided at the last minute which one to go with. The chosen transaction was an underwritten public offering that provided the company an initial gross of \$225 million with the potential for a further \$800 million in proceeds.

“We didn’t have time for shareholder approval given the pressure that we were under with our lenders,” she said. “We managed to negotiate two different transactions in eight days, getting to the final 24 hours before picking which one we were going with. They were very different transactions, and I was on top of both teams and the principal lawyer at Kirkland interfacing with the company’s board of directors.”

While the transaction’s intended purpose ultimately failed — Bed Bath & Beyond ended up filing for Chapter 11 in April — Hudson said she was proud of the effort to bring it to completion in such a short time.

“Unfortunately, it was one of those transactions where you shoot for the moon and don’t quite get there, but it was incredibly rewarding to make a good effort, and I was really proud of us for bringing it all together.”

### **Her greatest accomplishment of the past year:**

Hudson said she considers all the different liability management

transactions she’s worked on over the past year to be her top accomplishments. Because of the many restrictions imposed on companies with large outstanding debts, she said, the real difficulty is trying to understand the limitations in the various debt contracts a client has and to map out a solution.

“Each one of them was different and complex in its own way,” Hudson said. “You’re working with a company that already has significant outstanding debt and usually those debt contracts have a lot of restrictive covenants limiting what a company can do. It can be a very complex negotiation, oftentimes with people who hold different types of debt with different agendas in terms of their flexibility.”

Additionally, Hudson said that unlike other types of capital markets transactions, liability management tends to be high stakes and high emotion, which can create a more tense transaction experience.

“It’s really exciting because it’s different from other types of transactions where everyone’s more ‘Kumbaya’ and everybody’s all on the same page,” she said. “Here, it’s definitely a more contentious type of negotiation, but, hopefully, when it’s done, the company has put their maturities further in the future, reduced their cash interest expense and created some runway to turn around the business.”

One notable series of transactions was done for client Norwegian Cruise Lines, with whom Hudson started working in March 2020

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when the company was forced to cease operations due to the COVID-19 pandemic. Norwegian was unable to reduce expenses quickly, because keeping docked ships maintained is costly. The company started using collateral such as islands and intellectual property to secure debt, Hudson said.

With the resumption of normal operations and profitability, Hudson said, the more recent liability management transactions have been done to create additional liquidity as the business starts growing again. In 2023, she led three separate transactions for Norwegian, including a January \$600 million refinancing of its bank debt secured by 13 ships.

“Those were complex transactions because the ships are flagged across the world, so you’re working across jurisdictions ranging from Bermuda, the Isle of Man and Panama to get all the security in place and satisfy the lenders,” Hudson said.

### **Advice for junior attorneys:**

For young attorneys looking to get into the capital markets field, Hudson said the key is to develop an intimate knowledge of clients

by understanding their business and the industry, as well as getting to know the management team and the pressures they're facing, and what the company's clients are asking of them.

"I think this will make you a better adviser and the clients will appreciate it, coming to you more for advice,"

she said. "I also think it's more rewarding when you get to know your clients well, developing strong relationships with them and being seen as a senior adviser. That can really start as a junior associate by reading their disclosure documents, understanding their policies, chit-chatting before and after the substantive parts of calls and making

sure you can see your clients in person whenever possible."

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