



2015 Bankruptcy MVP

Stephen Hessler



Over the past year, Kirkland & Ellis LLP partner Stephen Hessler has been at the forefront of one of the largest and most complex bankruptcy filings in U.S. history, helping to steer the Dallas-based Energy Future Holdings Inc. through a plan to resolve its Texas-sized debt load and earning his spot as one of *Law360*'s Bankruptcy MVPs for 2015.

One of Kirkland's lead partners in the case, Hessler has played a key role quarterbacking the sprawling proceedings, a prearranged Chapter 11 that has involved numerous attorneys wading through the company's nearly \$50 billion in liabilities and roughly \$36 billion in assets, with a mission to restructure about \$42 billion in debt.

It is hard to overstate the enormity of the case. The company, which is the largest retail electricity provider in Texas, is itself the product of the largest-ever leveraged buyout. Yet when the Delaware-incorporated utility filed for bankruptcy in April 2014, it became the largest public company to do so that year, and produced the eighth-largest public company filing ever.

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Small wonder that Hessler calls Energy Future "the most challenging case of all of our careers."

The thrust of its get-out-of debt plan has been focused on a takeover of its nondebtor subsidiary Oncor Electric Delivery Co. LLC and a tax-free spinoff of another unit, Texas Competitive Electric Holdings Co. LLC.

But the attorneys also have had to contend with, fend off or otherwise smooth over a number of objections from bondholders, creditors and even intercompany claims. Working out those differences along the way has been critical to the success of the overall mission, Hessler said.

"When working on a case of that size, it's imperative that you not just move the case forward, but advance the interests of all the constituencies in hopes of arriving at a consensual result," Hessler said.

The finish line appears to be in sight. After 19 months in Chapter 11, and a couple of years before that in preparation, Energy Future on Dec. 3

won bankruptcy court approval of its reorganization plan. The company also scored the court's blessing to settle related intercompany claims that would resolve billions of dollars of disputes.

It was such a strong result that U.S. Bankruptcy Judge Christopher S. Sontchi, who is presiding over the case, hailed the arrangement as an "extraordinary achievement" and one that is "exactly the type of transaction Chapter 11 is designed to foster."

The case still faces challenges, including winning the approval of Texas regulators. Hessler declined to speculate on future prospects, but said he is happy with the outcome so far.

"We're very pleased with the confirmation result," he said.

Energy Future is far from the only the major work Hessler has been involved in over the past year. Other crowning achievements include his

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work representing creditors and debtors in the coal industry, which is suffering through a historic downturn. One of these matters involved steering Patriot Coal Corp. and 47 of its affiliates through Chapter 11 in just a matter of months.

More than just a quick turnaround, the case was truly a life-or-death one for the company and the jobs of the thousands of people it employs. As Hessler puts it, the operator of West Virginia coal mines came to Kirkland with no liquidity, no potential acquirers who'd be willing to purchase its assets for cash and pressure from all sides, including creditors, regulators and unions.

Five months later, Kirkland secured confirmation for its bankruptcy plan

to sell off assets in a pair of transactions, one of which involved an environmental group that promotes so-called clean coal. He called the representation a "signature case for Kirkland."

"There was a real threat of liquidation in that case. The ability to get those transactions done saved a few thousand mining jobs in an extraordinarily distressed industry," Hessler said. "Sometimes out of the direst challenges, the most creative solutions emerge."

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