

MVP: Cravath's Paul H. Zumbro

By Jack Queen

Law360 (October 20, 2020, 2:59 PM EDT) -- Paul H. Zumbro of Cravath, Swaine & Moore LLP's bankruptcy practice steered California electric utility PG&E's \$50 billion Chapter 11 bankruptcy and related wildfire settlements, as well as the contentious bankruptcy of the Weinstein Co., earning him a spot as one of Law360's 2020 Bankruptcy MVPs.

HIS BIGGEST ACHIEVEMENT:

In July, Zumbro and his team sealed one of the largest, most complex bankruptcies in history, representing electric utility PG&E as it looked to settle its enormous liabilities from California wildfires in 2017 and 2018 that were sparked by the company's power lines. Litigation over those fires was central to the Chapter 11 proceeding.

"Considering the magnitude of the wildfire claims, getting them settled during the course of the case really allowed the company to emerge," Zumbro told Law360. "If the litigation liabilities weren't able to be resolved at a number that allowed for a solvent emergence, PG&E could've been in bankruptcy for years resolving all sorts of issues."

Speed was important given the critical services PG&E provides. Its status as California's largest power utility also invited regulatory scrutiny of the proceeding, as Golden State officials were keen to ensure rates wouldn't rise as a result. A concurrent criminal case implicating the company in equipment explosions further complicated matters.

Zumbro said it was rare to handle a bankruptcy case for a client that was simultaneously on criminal probation. Those are not automatically paused after a Chapter 11 filing, nor are regulatory proceedings.

"Normally you can assure your partners that the automatic stay gives you a breathing spell, but we had a very unusual case," Zumbro said. "We filed on Jan. 29, and there was a probation hearing in front of [U.S. District Judge William Alsup] the next day."



Zumbro and his team ultimately resolved the bankruptcy with \$5.5 billion in debtor-in-possession financing and more than \$20 billion in debt and equity exit financing. He also coordinated closely with a Cravath team in the wildfire litigation, where PG&E settled claims for nearly \$30 billion.

ANOTHER INTERESTING CASE HE'S WORKED ON:

In another closely watched case, Zumbro steered The Weinstein Co. through its Chapter 11 bankruptcy, which occurred amid the downfall of film magnate and sex offender Harvey Weinstein. Zumbro took point on the 2018 stalking horse purchase of the company's assets by Lantern Asset Management, a high-stakes deal brokered under a cloud of fraught publicity.

"The whole company was centered on Harvey Weinstein," Zumbro said. "After the allegations, the whole company ground to a halt, which made it very difficult to sell. But we got all of the secured creditors paid off and moved into the mode of trying to see what we could do for the sexual misconduct victims."

That settlement has hit some roadblocks. In July, a New York federal judge rejected a proposed \$19 million deal, finding a class action structure made little sense because the claims involved dated back decades and varied widely. The Cravath team has since pivoted to a shorter time frame covering only the Weinstein Co. era, and Zumbro said he's "cautiously optimistic" they can get a pile of funds for victims soon.

"It's not as high as I'd like, but I know in my heart of hearts we are getting as much as we can for the victims," he said. "Obviously it's not any kind of justice, just a financial accommodation, but it's designed to be as painless and fair as possible for the women who suffered his abuse."

WHY HE'S A BANKRUPTCY ATTORNEY:

Bankruptcy attorneys bring order to chaos, Zumbro said. The cases are often complex and emotionally charged, with a host of different creditors and constituencies vying to ensure they get paid. Attorneys are the cooler heads, and usually they prevail.

"There's a sort of backchanneling that's often necessary to get a deal done among the professionals," he said. "And that's a real service, because sometimes if it's just the clients, they might rip each other's heads off because everybody's upset about the situation."

International matters can be especially complicated, and Zumbro has worked on several this year. They included the purchase of failed satellite operator OneWeb by a consortium led by India's Bharti Global. The \$1 billion deal, which included the U.K. government on the buyer side, was approved by a U.S. bankruptcy court in July.

"The U.K. government isn't in the business of buying companies out of Chapter 11," he said. "[Bharti] is a non-U.S. company unfamiliar with Chapter 11, a lot of which is not what people would expect. There are a lot of aspects that are not necessarily intuitive."

That deal was illustrative in another sense. The final documents had to be signed in the U.K. Prime Minister's Office on a particular day — the same day that Harvey Weinstein needed to sign settlement documents from a correctional facility. Zumbro and his team were coordinating with No. 10 Downing Street and a New York prison at the same time.

"The bankruptcy practice is quite diverse," he noted wryly.

HIS BIGGEST CHALLENGE THIS YEAR:

Navigating a once-in-a-century global pandemic has been difficult, Zumbro said. But he has been pleasantly surprised with how his team at Cravath has weathered the storm, staying busy and providing high-quality client service in the work-from-home age.

There have been silver linings, too. In the Weinstein case in particular, Zumbro found it was actually easier to get a read on judges when their faces were projected up close on a webcam rather than far away upon an elevated podium.

"On Zoom you have the ability to see the judge a little bit better," he explained. "You can interact with judges in a way that I found pretty useful, and as an advocate you can modify your presentation accordingly."

Zumbro and his team did have one case directly related to the pandemic: a prepackaged Chapter 11 proceeding for educational student travel company WorldStrides, which saw its business eviscerated by the crisis. Unlike many companies, WorldStrides had obtained business interruption insurance that specifically covered pandemics.

"That was an interesting experience because that was our first case where business interruption insurance was front and center in the negotiations with the lenders," Zumbro said. "We were able to successfully navigate that and get them through bankruptcy before the school year started again."

— *As told to Jack Queen.*

Law360's MVPs are attorneys who have distinguished themselves from their peers over the past year through high-stakes litigation, record-breaking deals and complex global matters. A team of Law360 editors selected the 2020 MVP winners after reviewing more than 900 submissions.

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