

Bankruptcy Group Of The Year: Cravath

By **Vince Sullivan**

Law360 (December 1, 2020, 4:01 PM EST) -- Handling one of the largest and most complex bankruptcy cases in American history is no small feat, but Cravath Swaine & Moore LLP guided California utility Pacific Gas & Electric Co. to a \$59 billion Chapter 11 restructuring this July thanks to the experience of its attorneys in a wide swath of legal disciplines, earning it a nod as a Law360 Bankruptcy Group of the Year.

Triggered by a series of deadly wildfires in 2017 and 2018, PG&E retreated into bankruptcy in January 2019, and with the counsel of Cravath's bankruptcy department, it was able to emerge in just 18 months, completing a relatively rapid restructuring for a debtor facing myriad claims and pressures from parties in interest to the case.

"It really was a once-in-a-lifetime kind of case," Paul H. Zumbro, head of Cravath's financial restructuring and reorganization practice, told Law360.



The company was dealing with billions of dollars in claims from victims of the wildfires that were blamed on some of its aging equipment in addition to the claims of its noteholders and other lenders. All of these factors were further complicated by political pressures exerted by California's government, along with a deadline for emergence that would enable PG&E to participate in a multibillion-dollar insurance fund.

Zumbro said Cravath's team excels at handling large, complex cases like PG&E's because its attorneys help bring calm to situations where debtors may be in a panic, and can shepherd them through the bankruptcy process, which is usually an opaque system for company-side parties.

"We bring order out of chaos," Zumbro said. "You get into these very complicated situations and need to unpack them and approach them methodically and intelligently. You need to understand people on the company side are dealing with circumstances they've never dealt with before."

Despite its deep bench of attorneys who specialize in other disciplines but have bankruptcy experience, he said the firm's tactic is to staff cases with a small but specialized team of partners and associates. Cravath doesn't pride itself on the number of bankruptcy matters it handles each year, but on the quality of its representations.

"We try to focus more on the high-end, complex situations where we can really add value," Zumbro said.

In the case of PG&E, Cravath brought to bear a toolbox of experience that included litigators working on the \$50 billion in wildfire claims, capital markets attorneys that helped formulate a \$5.5 billion debtor-in-possession financing package, and \$20 billion in exit financing that featured new debt and new equity offerings.

The firm has continued its representation this year of film studio The Weinstein Co., which similarly required the broad experience of Cravath's attorneys as it navigated through litigation. The debtor, co-founded and run by disgraced movie mogul Harvey Weinstein, filed for bankruptcy in March 2018 after revelations that he had engaged in a decades-long pattern of sexual misconduct.

In March 2020, Weinstein was convicted of rape and sexual assault by a New York jury and sentenced to 23 years in prison. But the resolution of the criminal proceedings did not clear up the millions of dollars of potential liability facing The Weinstein Co. relating to his misconduct.

Cravath, as lead counsel for the debtor, has been busy negotiating a Chapter 11 plan that would create a victim compensation fund to be financed by the company's insurers. The process has taken more than a year, and the current proposal calls for \$35 million in contributions by the insurers, with about \$17 million being available for sexual misconduct claimants.

Lauren Moskowitz, a litigation partner at Cravath, said the firm's work on a plan in The Weinstein Co. case has placed the debtor between claimants and the insurers providing their potential recoveries.

"We're in the middle of this as the debtors, and we are trying to broker a deal that provides a recovery without additional trauma for the victims involved," she said. "We think that's a really lofty goal and would be a great outcome."

The Chapter 11 plan has gone out for solicitation to creditors, and Moskowitz said handling the issues in the case over the last several months has required a delicate balance.

"We're holding about 50 spinning plates on sticks as we're juggling it all," she said. "We intend to keep them all twirling and on the stick for the rest of the time we're in bankruptcy."

Zumbro added that handling the case's issues is more akin to twirling 50 plates while people are shooting bullets over their heads at the same time.

The successes of the past year have emanated from a renewed focus on Cravath's bankruptcy practice since 2016. Zumbro said it has been difficult overcoming the notion that the firm doesn't handle a lot of bankruptcy cases, but he pointed to name partner Paul Cravath's work on turn-of-the-century railroad bankruptcies that helped lay the groundwork for the modern Chapter 11 system.

"I now think we've come a long way to overcome that misperception in the market," Zumbro said. "We do this work and we do it well."

--Editing by Adam LoBelia.