

Bankruptcy Group Of The Year: Cravath

By Ryan Boysen

Law360 (January 28, 2020, 4:57 PM EST) -- Cravath Swaine & Moore LLP's budding bankruptcy practice hit the ground running last year, helping to guide PG&E through a complex multibillion-dollar bankruptcy and quickly put together a \$289 million sale for The Weinstein Co. after the company turned radioactive, earning it a spot among Law360's 2019 Bankruptcy Groups of the Year.

Despite practicing bankruptcy law for longer than most firms have even existed, the current iteration of Cravath's bankruptcy practice — or as the firm calls it, the financial restructuring and reorganization group — dates back only to about 2016.

That's when Paul Zumbro, the group's head, began dedicating his full time and attention to it, gradually bringing on other partners and associates as needed.

Zumbro said the FRR group currently only accounts for "between two and four" full-time partners out of Cravath's roughly 500 total attorneys, but the group is still growing and is able to draw from the firm's other world-class practice groups as needed.

Despite that, Zumbro has notched several large and noteworthy cases on his belt this past year, and he said he only expects FRR's profile to grow going forward.

"It really is not a one-size-fits-all approach," he said. "We're not one of these firms that has done 3,000 restructurings and kind of default to treating them all the same way. At Cravath, we pride ourselves on offering practical advice in complex situations; we try not to get too technical and lose sight of the big picture."

Perhaps the best example of that approach is the work Cravath has done for PG&E as its main counsel alongside Weil Gotshal & Manges LLP.

Since the nation's largest power utility filed for bankruptcy last January after being blamed for starting two massive wildfires that devastated the Golden State, Zumbro and his small team have helped PG&E strike both a \$13.5 billion settlement with victims of those blazes and an \$11 billion deal with insurance companies that cover other victims of the same fires.



Zumbro has also helped PG&E lock down a \$5 billion debtor-in-possession loan to fund the case and negotiate a \$1 billion settlement between the utility and 14 California municipal agencies.

He's currently helping PG&E secure approval for its Chapter 11 case, a complex task that's made even more difficult by the fact that approval must come by June 30 in order for PG&E to be covered by a \$21 billion wildfire insurance fund set up by California Gov. Gavin Newsom.

"We're under tremendous time pressure, but I think we've done a fantastic job moving things forward given the magnitude of the case," Zumbro said. "Considering PG&E entered bankruptcy less than a year ago with roughly \$60 billion in play, I think where we're at now is nothing short of remarkable."

Zumbro took on another unique bankruptcy case when he was brought on to represent The Weinstein Co., which filed for Chapter 11 in March 2018 after media reports about founder Harvey Weinstein's alleged rape and abuse of dozens of actresses turned the company radioactive practically overnight.

The Weinstein Co. filed for bankruptcy after a \$500 million sale bid collapsed, and it was sold for \$289 million the next month after Zumbro and his team threatened to sue the buyer if it walked away from the deal. This was his first time representing a corporate debtor as lead bankruptcy counsel, and Zumbro said it was a whirlwind.

"You see people use the metaphor of a 'melting ice cube' a lot in bankruptcy to describe a case that needs to be wrapped up quickly or else value will be destroyed," Zumbro said. "In this case the ice cube fell off a cliff and shattered before we even filed."

Zumbro said the entire production company was practically a "cult of personality" held together solely by Harvey Weinstein, a fact that quickly made it synonymous with the lurid accusations against him.

There were plenty of opportunities to be distracted during the lightning-quick bankruptcy proceedings, Zumbro said, as famous actors and actresses objected to what they saw as a low sale price that wouldn't leave enough money behind to settle their civil claims, among other complaints.

But Zumbro and his team buckled down and didn't lose sight of the end goal, and neither did U.S. Bankruptcy Judge Mary F. Walrath. He said he firmly believes the final sale "was the best result that could have been achieved."

He's still working on a global settlement between the debtor, the New York attorney general and many of the actresses suing Weinstein, among other parties, and he said he expects that deal to be put in front of Judge Walrath later this year.

Zumbro and his team have also worked to keep a few companies out of bankruptcy court over the past year. It represents pharmaceutical company Akorn Inc., which saw a proposed \$4.3 billion merger with rival Fresenius Kabi AG fall apart after Fresenius got spooked by Akorn's alleged regulatory difficulties. Akorn is currently gearing up for a legal fight against Fresenius over the deal, but Zumbro is helping it refinance and restructure its debts in a bid to stave off Chapter 11.

"We were able to give them the breathing room to turn around the business," Zumbro said. "So far they've avoided the expense of Chapter 11, and we're very proud to have helped them with that."

Zumbro and his team also represented Credit Suisse in its role as restructuring adviser to oil and gas

company American Energy — Permian Basin LLC, which completed an out-of-court restructuring of its debt in October.

Cravath also represented longtime client Credit Suisse as it purchased \$1 billion worth of notes issued by Pacific Drilling to finance its exit from Chapter 11 in late 2018.

--Editing by Adam LoBelia.

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