Bankruptcy Group Of The Year: Cadwalader

By Samuel Howard


Cadwalader’s bankruptcy group is 52 lawyers strong, with 12 partners and 40 field-tested associates and counsel, making it one of the firm’s largest practices. Centered in New York, Washington and London, the group benefited from a concerted push in recent years to become one of the industry’s truly premier practices, equally at home advising the president and multinational corporations.

John Rapisardi, co-chair of the restructuring group, said that Cadwalader’s achievements outmatch those of larger firms, belying the claim that bigger-is-better when it comes to effective lawyering. With about 50 of the firm’s 500 attorneys devoted to restructuring, Cadwalader demonstrates that you don’t need to be a behemoth to be a powerhouse.

“I think the group’s collective experience sets it apart from the other elite firms,” Rapisardi said. “We have little need for overwhelming numbers because our lawyers are exceptional and bring decades of excellence to the table.”

A teeming workforce isn’t always an advantage, Rapisardi said. Rather than just throw bodies and grind away at a problem, Cadwalader relies on a core of lawyers with incisive understanding and the ability to devise novel solutions to client needs.

“At Cadwalader, clients are pleased to know they are getting the A team, where everyone is at the top of their game,” Rapisardi said. “Quick, creative and innovative solutions are the trademark of our team.”

Long known for its strength in the financial sector, in 2007 Cadwalader made a charge to the front of the restructuring stage, recruiting a handful of preeminent attorneys that have figured chiefly in the firm’s recent bonanza, Rapisardi said.

The U.S. Department of Treasury turned to Rapisardi and his colleagues in 2009 during the takeover of General Motors and Chrysler and continued to rely on the firm in 2010 to wind down the leftover Chrysler estates, formulate GM’s plan and negotiate Delphi Corp.’s bankruptcy.

Rapisardi also led the Cadwalader team that represented Xerium Technologies Inc., a global manufacturer of textile for paper production, finessing a prepackaged plan in just over a month that eliminated $150 million in debt and involved 15 jurisdictions worldwide.

Another one of the pivotal hires, George Davis, has helped the firm surge into debtor representations, spearheading numerous front-page debtor restructurings in 2010, including Caribbean Petroleum Corp.’s Chapter 11 and the landmark $23 billion reorganization of petrochemical giant LyondellBasell.

The LyondellBasell case, a 15-month affair that included a record $8 billion debtor-in-possession package, nearly $20 billion in discharged debt and the creation of $10 billion in stockholder equity value, made Cadwalader a leader in the bankruptcy field.
A global reorganization is a challenge at the best of times, but the circumstances of LyondellBasell’s bankruptcy makes the feat all the more impressive.

When multinational LyondellBasell retained Davis and other Cadwalader aces, it carried mountainous debt from Basell’s 2007 leveraged buyout of Lyondell and faced an urgent need for liquidity when the credit markets were flatlining.

“When we were retained in the middle of December 2009, Lyondell was in much worse shape than anyone expected, with about 20 days worth of liquidity,” Davis said. “There we were, with around $25 billion in debt, closed DIP markets and only a matter of days before Lyondell would hit the wall.”

Even though LyondellBasell’s condition was more precarious than imagined and suggested a full-blown crisis, Davis remained undeterred, holding round-the-clock deliberations with the company’s lenders to secure the DIP financing necessary to prevent collapse.

In a matter of days, the Cadwalader team not only had to coax billions in DIP loans but also preserve LyondellBasell’s European affiliates, which guaranteed some $20 billion in leveraged buyout financing, from creditor foreclosure.

Rather than give way to doomsday scenarios, the attorneys innovated, securing a landmark $8 billion DIP package from the existing lenders that featured a pioneering dollar-for-dollar roll-up on prepetition term debt and funded the European nondebtor affiliates.

“At the time, the restructuring basically opened up the DIP market again,” Davis said. “It was such a large piece of financing that it created a lot of buzz and shifted the paradigm a bit.”

In addition to landing an historic DIP package, the Cadwalader group attained forbearance agreements from seven different lender groups that they would not foreclose on the European affiliates.

While all this was going on, the group also had to examine the possibility that creditors would challenge the liens and debts relating to the LBO in a fraudulent conveyance action, imperiling the entire plan.

Aware that the DIP funding carried a one-year limit effectively prohibiting lengthy litigation, the team brokered a settlement with the creditors’ committee and allowed the restructuring to proceed without drawn out disputes over shareholder payouts and other aspects of the LBO transactions.

The restructuring was aided by the fact that it was almost too big to fail, Davis said, but even in a crisis stakeholder interests won’t dovetail without strong and creative leadership.

“LyondellBasell represents one of the most complex global restructurings that has ever been undertaken and probably the most successful in terms of execution and achievement,” Davis said. “It has become a model for the way to deal with cross-border insolvencies.”

Cadwalader’s effectiveness is rooted in total knowledge of the issues gained through years of work for both creditors and debtors in major corporate restructurings, according to bankruptcy partner Gregory Petrick.

Rather than cultivate a narrow expertise, Cadwalader’s restructuring attorneys represent every constituency, from debtors to senior secured lenders and other creditor parties. This approach has not only given the firm enviable presence in the field but also propelled it past many of its peers.

Having worked for every camp, the group’s attorneys verge on the omniscient, understanding the most intricate issues as well as the chess game of restructuring.

“The sheer breadth of experience gives us a unique competitive advantage because our attorneys know what the other side is thinking and can grasp the issues from every angle, ultimately anticipating problems before they arise,” Petrick said.

This comprehensive understanding helped in Truvo USA LLC’s Chapter 11, where Petrick led Cadwalader’s representation of the creditors’ committee and successfully challenged the plan put forward by the debtor.
Emulating LyondellBasell’s reorganization, Truvo sought to protect its European affiliates in a Chapter 11 plan prearranged with its senior secured creditors. The debtor, however, did not pull it off as seamlessly as Cadwalader had in the LyondellBasell case.

Petrick found chinks in the debtor’s proposed financing, and ultimately leveraged for terms that gave his clients twice their initial recovery.

“The proposed plan enforced release clauses and gave unsecured creditors minimal consideration,” Petrick said. “We were able to dissect the plan and create doubts about the way it was constructed and whether it would survive the court’s scrutiny.”

Petrick also led Cadwalader’s representation of creditors in the Chapter 15 proceedings of JSC BTA Bank, a Kazakh financial institution, and prevented the bank’s majority shareholder from eliminating distributions for creditors owed $300 million.

Anticipating an uptick in European workouts and restructurings, Petrick is bolstering the firm’s London office. He said that the firm is poised for another record year in 2011 as more companies overseas follow LyondellBasell and Truvo’s example and establish themselves in the U.S. to take advantage of the Chapter 11 process.

Methodology: In mid-November Law360 solicited submissions from over 300 law firms for its practice group of the ear series. The more than 400 submissions received were reviewed by a committee of four editors. Winners were selected based on the number of significant wins the group had in litigation or the size, number and complexity of deals the group worked on in 2010.