Law360

2016 Bankruptcy MVP

Edward Sassower

For taking an innovative approach to help fragile oil and gas drilling companies shed debt quickly and advancing the complex restructuring of Energy Future Holdings Corp. while the value of its assets fluctuated wildly, Edward Sassower of Kirkland & Ellis LLP earned his spot on *Law360*'s list of Bankruptcy MVPs.

Sassower, whose deal-making skills made him a *Law360* Rising Star three years ago, has continued his streak with a series of oil and gas drillers that went under during the past year. The team at Kirkland has been adept at convincing creditors to accept equity in the restructured energy companies, starting with Magnum Hunter Resources Corp. late last year.

Magnum entered bankruptcy in December with a plan to divvy the company's equity among creditors with support from big majorities of first-lien, second-lien and senior unsecured lenders. Although shareholders objected to the plan, saying it undervalued the company, U.S. Bankruptcy Judge Kevin Gross overruled them, accommodated $200 million in financing to keep the company going and approved the deal in April, a clockwork execution that gave Sassower and his colleagues a template.

> "Sassower, whose deal-making skills made him a *Law360* Rising Star three years ago, has continued his streak with a series of oil and gas drillers that went under during the past year. "

"We went to everybody in the capital structure and said, 'Guys, let's stop fighting.' You know, 'I'm gonna wipe you out,' 'No, I'm gonna cram you up,'" he said. "Once we finished that restructuring, it almost became a noun, like 'I want a Magnum,' or a verb: 'Let's Magnum this company.'"

Magnum they did. A Kirkland team led by Sassower deployed a similar strategy in preparing Penn Virginia Corp. for its May bankruptcy filing. With 87 percent of its funded-debt holders signed onto its restructuring agreement, Penn got its plan approved in under 100 days and shed nearly $1 billion from its $1.2 billion debt load. Kirkland's final fees and costs amounted to just $3.5 million, according to court records.

Sassower and his colleagues took a similar tack with Midstates Petroleum Co. Inc. in the Southern District of Texas, getting a reorganization plan approved in late September that would give equity to holders of more

Attorney Advertising

KIRKLAND & ELLIS

than $1.1 billion of second- and third-lien notes and lower the company's $2 billion debt burden by 90 percent. Chief U.S. Bankruptcy Judge David Jones described Kirkland and other Midstates advisers as having shown "nothing short of excellence" in that case.

> "Chief U.S. Bankruptcy Judge David Jones described Kirkland … as having shown 'nothing short of excellence' in that case."

Not every restructuring has been friendly or cheap, however. EFH, a Texas electricity generation and distribution company that was left with $40 billion in debt after it was taken private in 2007, planned to be in and out of bankruptcy in less than a year when it announced its Chapter 11 filing in April 2014. Two and a half years on, the case is still going, and total fees were reported at almost $400 million in October.

That case has pitted a Kirkland team led by Sassower against investment funds that have shown up "armed to the teeth" with their own skilled attorneys, he said. Sassower, the son of a private equity investor who grew up hearing about distressed deal-making at the dinner table and has practiced bankruptcy law since starting his career at Stroock Stroock & Lavan in 1998, said it's been one of his most challenging cases.

Over the past year, the EFH restructuring has crossed a major milestone, winning the court's OK in August to restructure $25 billion in debt by spinning off its electricity selling subsidiary, Texas Competitive Electric Holdings. But EFH's efforts to placate the creditors of the other half of its business, which owns an 80 percent stake in transmission firm Oncor Electric Delivery Co. LLC., have been stymied.

In April, investors led by Hunt Consolidated Inc. backed out of a plan to buy Oncor, citing an adverse ruling by Texas utility regulators. Just two months later ("It wasn't like we were starting from scratch," Sassower noted), EFH announced an $18 billion deal to sell the rest of its business, including Oncor, to clean-power focused NextEra Energy, but that sale could be threatened after a Third Circuit ruling that said EFH didn't have the right to pay back certain debts ahead of schedule.

Although he admitted there have been some "false starts" over the past year, Sassower said his team was prepared for the consequences and has had to at least attempt to make the Hunt and NextEra deals happen. The biggest factor that has delayed the company's restructuring has been the shifting value of EFH's subsidiaries, driven by volatility in power markets, he said.

"There's a lot of sensitive conversations that are happening right now," he said. "It's yet another challenge that we have to overcome on EFH, and we will overcome it."

REPRINTED WITH PERMISSION FROM THE DECEMBER 16, 2016 EDITION OF *LAW360*
© 2016 PORTFOLIO MEDIA INC. ALL RIGHTS RESERVED. FURTHER DUPLICATION WITHOUT PERMISSION IS PROHIBITED.

Pursuant to applicable rules of professional conduct, this communication may constitute Attorney Advertising. Prior results do not guarantee a similar outcome.
© 2016 Kirkland & Ellis LLP. All rights reserved.

KIRKLAND & ELLIS