Broad Reach

The long arm of bankruptcy provides a rich case load for lawyers, restructuring pros and their firms. Here's a look at how they stack up

by Matt Miller

In the bankruptcy trade, there are megafirms and lesser-known boutiques. There are one-stop shops, with offices around the globe and armies of professionals, and there are specialist firms tied to one geographic area or to one narrowly defined area of practice.

Some law firms cut a wide swath and offer professionals that can tackle almost any imaginable bankruptcy case in any imaginable place. Other firms specialize in representing unsecured creditors or secured noteholders. Some find work as special conflicts counsel, others as high-powered litigators. There are firms that are tapped for their deep knowledge of real estate or insurance or telecommunications regulation or bankruptcies related to asbestos.

And the same applies for restructuring firms. Some want to do it all, from offering financial advice to designing restructuring plans to installing management to providing forensic services. Others restrict themselves to one or a few of those demanding specialties.

Just how big and complex has the bankruptcy industry become? In an effort to document just which law and restructuring firms and professionals are landing the most assignments, The Deal has discovered that the range of fee-generating mandates stretches well beyond the high-profile attorneys and financial advisers hired by debtors and by creditors' committee.

Most bankruptcy observers would not be surprised that **Weil, Gotshal & Manges LLP** dominates The Deal's first-ever rankings of top bankruptcy law firms, with 109 active Chapter 11 assignments as of Aug. 1, and that **Houlihan Lokey Howard & Zukin**, with 68 cases, leads the pack of restructuring firms. But the truly compelling aspect of these first-ever league tables is that they show just how much work there is for non-New York and non-Delaware law firms (**Jones Day**; **Gibson, Dunn & Crutcher LLP**; and **King & Spalding LLP**, to name a few) and for a wide array of restructuring outfits (**Crossroads LLC**, **Chanin Capital Partners**, **Huron Consulting Group LLC**). The rankings are proof of just how wide-ranging and lucrative bankruptcy-related practices have become, even for firms on the periphery.

"There are so many different adjuncts of this industry compared to 15 years ago, when I started to practice," says John Thomson, who heads the bankruptcy practice at **Womble Carlyle Sandridge & Rice PLLC** in Atlanta.

Not only has the U.S. experienced an explosion over the past three years in the number of major corporations filing under Chapter 11, but many of the cases are monetarily enormous and devilishly intricate. A few have brought the trade into uncharted territory. Bankruptcy professionals must grapple with determining how to transfer prepaid rights for telephone lines or weed out phantom assets from the collapse of energy futures trading units.

Other cases are seemingly ubiquitous. **Enron Corp.**, it's often said, is the Chapter 11 equivalent of the full-employment act. **WorldCom Inc.**, though, could give Enron a serious run for that title. We counted some 317 separate law firms working on the WorldCom case alone.

"Cases are more complex and broader reaching," says Conor Reilly, a partner with Gibson Dunn.

And lucrative as well: Reilly bills at $735 an hour nowadays. Indeed, as creditors and debtors become more sophisticated and demand more sophisticated assistance, companies, creditors and judges have come to understand, often reluctantly, that that means more advisory work and higher fees.

"The market has become much more skilled at the notions of restructuring," says John Suckow, a managing director and co-head of the creditor advisory group at **Alvarez & Marsal Inc.**, a turnaround firm with 17 current assignments. Skill comes at a price. In this cycle, the bankruptcies are much larger, the companies involved are more complex, and, in some cases, entire sectors like broadband have blown up.

"In the old days, retail cases, manufacturing cases, weren't all that different. In general, they didn't bring with them subject-matter specifics," says Philip D. Anker, a partner with **Wilmer, Cutler & Pickering** who, with 29 current assignments, is second only to **Richards, Layton & Finger PA**'s Mark D. Collins, with 57, based on our survey. "It's not enough today to be a good bankruptcy lawyer. ... We must learn a substantive area of law as well as a substantive business area."

Economists and bankruptcy practitioners alike believe that the spike in major Chapter 11 filings is past, although no one expects the next cycle to take anywhere near a decade to roll out (two years is more like it, especially if interest rates climb substantially). There's more impetus than ever before to get companies out of Chapter 11 as quickly as possible. But even those bankruptcies now on the docket will give practitioners work for years to come.

"We anticipate with the current workload in the door, we're probably not going to suffer a slowdown," says Andrew N. Goldman, another Wilmer Cutler partner. "I don't think anyone is going to sit idle until the next wave comes."

Add to that the mop-up work. Lawyers, especially those involved in litigation, are being called into court to argue issues regarding disputed claims on companies such as Trans World Airlines Inc. that are years out of bankruptcy. Some bankruptcies never seem to die. (The Deal tables account for cases that have come out of bankruptcy on which firms are still doing billable work.)

Then there's all the work outside of the busy bankruptcy courts of Manhattan, Wilmington, Del., and Chicago. Fort Worth, Houston, Pittsburgh, Phoenix and Reno, Nev., all have very active dockets. Then there's the plethora of middle-market bankruptcies, in venues such as Biloxi, Miss., and Newark, N.J. "It's been a busy time for quite a while," concludes Susan Freeman, a partner with **Lewis and Roca LLP**, based in Phoenix. "It will continue for quite a while to come."

But first, some caveats. The Deal's rankings are representative findings. Plenty of firms have full assignment books. We couldn't accommodate them all, but hope to in the future. We narrowed our list to nearly 60 law and restructuring firms that our research showed were getting the most work. We contacted the firms and asked for their response on active Chapter 11 assignments. Thirty-nine participated, including nearly every restructuring firm.

Of course, assignment numbers aren't everything. Being the lead debtor counsel in, say, the WorldCom case means exponentially more manpower, substantially higher fees and a far lengthier mandate than acting as counsel for a minor trade creditor. So raw numbers don't necessarily reflect revenues.

Terminology also complicates comparisons, too. One firm, for example, differentiates between "special labor counsel," "special tax counsel" and "special litigation counsel." Another lumps everything under "special counsel."

Role definition can be especially tricky when it comes to restructuring firms. Restructuring industry stalwarts tend to distinguish between financial advisers, turnaround firms with management and operational roles and investment banks addressing capital structures and deals.

Comparing the number of assignments can also be misleading. Turnaround specialists physically move into a bankrupt company and place individuals in management roles. That's a far cry from simply offering financial advice to a creditors' committee. "You can't handle multiple engagements," says Bettina Whyte, a principal with **AlixPartners LLC**, which specializes in operational turnaround and restructuring and has 24 current assignments.

Some restructuring firms, however, are beginning to offer more than just one service. "You are seeing a blurring of the lines," says Jeff Werbalowsky, co-chief executive and co-founder of investment bank Houlihan Lokey's financial restructuring practice. Werbalowsky and four other Houlihan Lokey bankers captured the top five spots for individual performers. Andrew Miller led the pack with 14 assignments.

And some restructuring pros quickly point out that reporting on the Chapter 11 assignments of workout firms captures only about half of their business. The other half is out-of-court restructurings that never reach Chapter 11.

Fee data is public record, of course. But the table on page 28 provides a sampling of what lawyers now bill per hour. And while other bankruptcy lawyers bill more than $900 an hour, we only have Brad Eric Scheler of **Fried, Frank, Harris, Shriver & Jacobson** on the record breaking the barrier. (The fee structure for turnaround firms is different. They get a monthly amount and an officers' fee plus a success fee. The financial advisers are compensated at an hourly rate. The investment bankers are awarded a transaction fee.)

That Weil Gotshal leads in the number of active cases won't strike anyone in the profession as shocking. Weil Gotshal has created *the* franchise for bankruptcy practice, especially when it comes to debtor representation. And had we tabulated results by, say, the volume of assets in Chapter 11, the New York firm would have probably been even more dominant. After all, it's currently handling most of history's largest bankruptcies.

But the runner-ups to Weil Gotshal aren't in Manhattan. Three firms either based in Delaware or with a major office there—Richards Layton (with 84 cases), **Young Conaway Stargatt & Taylor LLP** (63) and **Pachulski, Stang, Ziehl, Young, Jones & Weintraub PC** (56)—have enviable franchises.

Indeed, there's plenty of life beyond Manhattan and Wilmington. King & Spalding is Atlanta-based. Gibson Dunn, which just added Richard Cieri from Jones Day, is based in Los Angeles. Both have successfully built national practices. So, too, has Washington-based Wilmer Cutler, with 71 cases, and Pittsburgh-based **Reed Smith LLP**, with 44. Perched in Salt Lake City, Ralph R. Mabey heads the bankruptcy practice of **LeBoeuf, Lamb, Greene & MacRae LLP**, whose active Chapter 11 case roster totals 47. Craig A. Barbarosh co-leads **Pillsbury Winthrop LLP**'s bankruptcy group from an office in Costa Mesa, Calif. Pillsbury Winthrop is working 18 bankruptcies.

"At one level, it's always a national players' game," says Jim Pardo, a King & Spalding partner on 12 cases alone. "It's still the usual suspects showing up in case after case."

There are many reasons for this. Reputation looms large, as does sophisticated knowledge and a first-rate support staff. So does history.

Some major firms are known as either creditor or debtor counsel. Conflicts of interest often prevent switching sides, even if a firm has the desire to do so. According to Pardo, after the first two or three big cases in a cycle, the sides are pretty well set. King & Spalding, for example, has represented bondholders' committees in the past and continues to do so, he says. The firm doesn't even take on debtor work.

Then there's the question of reach. Greater complexities require "geographic breadth and practice breadth," Gibson Dunn's Reilly says. "There are fewer firms that have that breadth to offer."

That's especially true with cross-border cases, a growing trend in bankruptcies, Reilly believes. He cites **Flag Telecom**, which is incorporated in Bermuda, with headquarters in London and extensive interests in Europe, the Middle East and Asia. Flag filed in New York. Gibson Dunn represented the debtor. "You have to coordinate issues in several time zones," Reilly says. "It's a lot easier within one firm."

There's a touch of the counterintuitive at work here. Cases have grown in number and complexity. And lead attorneys' rosters haven't changed all that much, with the big firms retaining the inside track on major filings. But because of factors like conflicts of interest, the need for local counsel or the addition of specialists, those big, complicated Chapter 11s often welcome many smaller firms and less famous practitioners.

"Compared with 20 years ago, the number of practitioners, the number of people you see in the court, the number of practices, have expanded," says Matthew J. Gold, a bankruptcy partner at New York-based firm **Olshan Grundman Frome Rosenzweig & Wolosky LLP**, which lists 54 lawyers.

Gold details bankruptcy-related work involving everything from representing trustees to landlords. "In these big bankruptcy cases, a lot of other companies got enmeshed one way or another," he explains. "There are opportunities to represent these companies."

Consider, for example, **WestPoint Stevens Inc.**, which filed for Chapter 11 in early June. In a common matchup, Weil Gotshal is lead debtor counsel. **Stroock & Stroock & Lavan LLP** represents creditors.

Last month, however, Weil Gotshal sought and received approval to name small New York firm **Stein Riso Mantel LLP** as special conflicts counsel. Stein Riso will weigh in when there is a question about a conflict of interest for Weil Gotshal.

Stein Riso, a 10-person firm, has received a number of similar assignments, says Mark I. Chinitz, the partner involved in the WestPoint Stevens case. "First, firms are increasingly careful to avoid any appearance of conflict," he says. "Second, as large firms have grown even larger, the breadth of practice has increased and there are more conflicts."

Chinitz, a Weil Gotshal alumnus, knows the firm's work and vice versa. "It's a good niche," Chinitz says. "It's a very good niche."

Firms find they can get special bankruptcy-related assignments for many reasons. **Spiegel Inc.** received court approval to employ **Sachnoff & Weaver Ltd.** as special counsel to advise the bankrupt retailer on insurance-related matters. While it has a bankruptcy practice, Chicago-based Sachnoff & Weaver is known for its insurance expertise, including directors' and officers' liability.

Womble Carlyle represented on engagement conditions the two individuals who were named chief restructuring officer and interim CFO for Copperweld Corp., a division of bankrupt **LTV Corp.** Pittsburgh-based Cop-

TOP RESTRUCTURING FIRMS

	RESTRUCTURING FIRM	LOCATION	NO. OF CASES
1	Houlihan Lokey Howard & Zukin	Los Angeles	68
2	Rothschild Inc.	New York	31
3	Jefferies & Co.	New York	28
4	Deloitte & Touche LLP	New York	27
5	AlixPartners LLC	Southfield, Mich.	24
6	Lazard	New York	22
7	Kroll Zolfo Cooper LLC	New York	19
	The Blackstone Group LP	New York	19
8	Alvarez & Marsal Inc.	New York	17
	Crossroads LLC	New York	17
	FTI Consulting Inc.	Annapolis, Md.	17
9	Chanin Capital Partners	New York	14
10	Bridge Associates LLC	New York	11
	Huron Consulting Group LLC	Chicago	11
	Miller Buckfire Lewis Ying & Co.	New York	11
11	Glass & Associates Inc.	Canton, Ohio	9
	Greenhill & Co.	New York	9
12	CIBC World Markets	New York	8
13	Grisanti Galef & Goldress I LLC	Atlanta	7
14	Gordian Group LLC	New York	6
15	Seneca Financial Group Inc.	Greenwich, Conn.	5

Includes all debtor, creditor and other assignments within active bankruptcy cases
All cases active as of Aug. 1, 2003.

Source: The Deal, restructuring firms

perweld hopes to emerge as a stand-alone company. This month it named Womble Carlyle as special counsel to advise the steel tubes manufacturer on the take-out facility for Copperweld's DIP financing, or what the company's debt structure will look like when the company emerges from bankruptcy.

A regional presence keeps any number of firms in business. Lewis and Roca's Freeman details work representing secured lenders and creditors' committees on several bankruptcies filed in the Southwest. According to Freeman, more and larger bankruptcies are being filed in jurisdictions such as Phoenix and Reno, where her firm practices.

"Huge and complex cases are likely to be filed in Delaware and New York. That's always the case," she says. "But one of the reasons I came to Phoenix is because midsized cities are getting pretty large and complex cases."

She bristles at the suggestion that firms such as hers must accept life in the minor leagues. "It's not secondary status," she insists.

On the restructuring side, the dynamics are somewhat different. Traditionally, the trade divides itself into three components. There's crisis management, in which the firm takes a hands-on operational role; financial advisory, with no management role; and investment banking, which addresses capital structures and asset sales.

This cycle, however, "we've seen a lot less specialization,"

AlixPartners' Whyte says. "I see more and more firms trying to be all things to all people rather than stick to their core competencies," adds Peter S. Kaufman, a managing director of financial advisory firm **Gordian Group LLC**, which has six active Chapter 11 assignments. "I think this is a disturbing trend."

Mergers explain some of this newfound sweep. **FTI Consulting Inc.** last year acquired **PricewaterhouseCoopers LLP**'s U.S. business recovery services division. Because of its audit practice, PwC constantly faced conflict issues if it attempted to offer financial advice to both bankrupt companies and creditors. Under FTI, those conflicts lessened. We estimate FTI has 17 active bankruptcy assignments; the firm did not respond to requests for information.

Other acquisitions upset the mix, as well. For example, security and investigation specialist **Kroll Inc.** last year acquired restructuring specialist Zolfo Cooper LLC. Kroll Zolfo Cooper LLC now lists 19 bankruptcy mandates, including Enron.

More deals could be coming. Some in the industry believe **Deloitte & Touche LLP**, with 27 active Chapter 11 cases, and **Ernst & Young LLP** will eventually shed their restructuring businesses as well.

Other major players have diversified internally. Over the past year and a half, Chanin Capital Partners has beefed up M&A capabilities in addition to its traditional financial advisory practice, says senior managing director and co-founder Russ Belinsky. Clients, he says, now demand the option of reorganizing or selling, and Chanin wanted to provide advice on both. Chanin lists 14 Chapter 11 mandates.

The competition goes the other way, too. With the rise of bankruptcies, a number of investment banks that do M&A work created restructuring divisions. More would like to. Crisis management boutiques have also begun popping up all over the place, some touting specialized niches such as healthcare.

Most of these practices are small, however. With the number of bankruptcies receding, many will soon disappear, restructuring veterans believe. For instance, some investment bankers now busy with restructuring will be redeployed for more conventional M&A-related dealmaking.

"We're seeing it now," Houlihan Lokey's Werbalowsky says. "Too many competitors are chasing too few deals."

And as if Chapter 11 wasn't rancorous enough, he suggests the competition for assignments makes it even more ornery.

"More money is at risk, and it's a lot more confrontational," the voluble investment banker says, pausing. "People are getting tougher and meaner."

TOP RESTRUCTURING PROFESSIONALS

	ADVISER	RESTRUCTURING FIRM	NO. OF BANKRUPTCY CASES
1	Andrew Miller	Houlihan Lokey Howard & Zukin	14
2	David Hilty	Houlihan Lokey Howard & Zukin	12
3	Irwin Gold	Houlihan Lokey Howard & Zukin	11
	Eric Siegert	Houlihan Lokey Howard & Zukin	11
	Jeffrey Werbalowsky	Houlihan Lokey Howard & Zukin	11
4	William Derrough	Jefferies & Co.	10
5	Thane Carlston	Jefferies & Co.	9
6	Jonathan Cleveland	Houlihan Lokey Howard & Zukin	8
	Arthur Newman	The Blackstone Group LP	8
7	Steve Panagos	Kroll Zolfo Cooper LLC	7
	Chris DiMauro	Houlihan Lokey Howard & Zukin	7
	Bradley Geer	Houlihan Lokey Howard & Zukin	7
	Dimitar Voukadinov	Houlihan Lokey Howard & Zukin	7
8	Anthony Schnelling	Bridge Associates LLC	6
	William (Tuck) Hardie	Houlihan Lokey Howard & Zukin	6
	Richard Nevins	Jefferies & Co.	6
9	Mark Stickel	Bridge Associates LLC	5
	Randall Lambert	Chanin Capital Partners	5
	Peter Kaufman	Gordian Group LLC	5
	Mike Kramer	Greenhill & Co. LLC	5
	Saul Burian	Houlihan Lokey Howard & Zukin	5
	Stephen Spencer	Houlihan Lokey Howard & Zukin	5
	David Trucano	Houlihan Lokey Howard & Zukin	5
	Pamela Zilly	The Blackstone Group LP	5

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