

## Where Sinking Ships Dock

### Westside Boutique Reorganizes Giants

BY MICHAEL STREMFEL  
Staff Reporter

**A**N investor group this week will submit a \$1.3 billion reorganization plan that, if approved as expected, will give it ownership control of Loews Cineplex Entertainment Corp., the second-largest theater chain in the world.

While the deal is monumental, chances are that its primary architect will never get mentioned. That's the way **Chanin Capital Partners** prefers it.

The West L.A. restructuring boutique operates in near-obscurity, even though many of the companies it has reorganized (Fruit of the Loom, Covad Communications, Regal Cinemas) are well-known, multibillion-dollar behemoths.

"This is our best year, by multiples," said co-founder Russell Belinsky, during a recent interview at the firm's West L.A. offices.

Referring to fellow co-founder Skip Victor, seated next to him in the conference room, Belinsky added, "If we were an Internet company and we could go public, this guy would be worth multiple billions of dollars, and I would as well." Victor winced. Belinsky quickly added, "But that's not the objective." Asked to specify the fee income being generated, Belinsky initially seemed willing to disclose the figure – until Victor winced again.

"Look, we've seen a lot of (restructuring) firms come and go, where partners took their eye off the ball and thought that being on the cover of Forbes or Fortune meant something in the long term," Victor explained. "It has been enough for us to focus on doing what we get paid to do."

What Chanin Capital does is figure out ways of getting distressed companies back on track, quickly, or getting the creditors of distressed companies paid off, quickly.

"There are a lot of complexities, twists and turns, in dealing with major restructurings and they know the players, the rules of the game, and what needs to happen," said Bruce Karsh, president of Oaktree Capital Management, a \$20 billion L.A. investment firm that is part of the group taking control of Loews. "We use them in a lot of different situations."

Not all of Chanin Capital's clients are willing to acknowledge their relationship.

"It wouldn't send the right message for it



TODD FRANKEL/AB

**Reorganizers: Russ Belinsky (left) and Skip Victor drive growth at Chanin Capital.**

to be known that we have portfolio companies in distress," explained one principal of a \$15 billion investment firm that regularly brings in Chanin Capital as an advisor.

Not surprising, given the contentious dilemmas that the firm finds itself in the middle of. "When people lose money, they tend to become emotional," the investment principal said. "They come to the table with their swords drawn, but the guys at Chanin will try to coax the swords back into the scabbards. Of course, if that fails, they can be as ferocious as the next guy."

Victor focuses on crunching the numbers and developing creative ways of restructuring debt in default.

Belinsky specializes in calmly explaining to major equity investors that their distressed portfolio companies need to be total busts.

"I try to show them, 'Look, this is just like any other deal you are working on,' Belinsky said. "Separate the emotion attached to the fact that you already own it. You can recap the company and still make money if you do it right."

And doing it right, at least from Chanin Capital's perspective, means doing it quickly.

The firm charges a monthly fee, typically between \$100,000 and \$150,000, but unlike many bankruptcy attorneys, it won't keep the meter running indefinitely. Where Chanin and

other such firms make their serious money is on transaction or "success" fees paid upon a deal being completed. Chanin typically charges 1 percent to 1.5 percent of the restructured debt amount.

#### Success, cubed

The co-founders' sit adjacent to one another in offices measuring a cozy 12x14 feet. Pictures of their children and photos clipped from newspapers and magazines are Scotch-taped to their office walls and doors.

But the lack of trappings shouldn't be confused with modesty. An action photo of the famed Pamplona bull runs graces Victor's wall. "The message for me is, in any deal, most people are spectators and if you're one of the really few in the thick of it, you'd better pay attention," he said.

In Chanin's eighth-floor conference room overlooking the 405 Freeway, Belinsky snatched one of several dozen "cubes" displayed on a credenza top. (Cubes are the trophies that memorialize a firm's completed transactions.) The one Belinsky grabbed was for a \$1.8 billion restructuring that Chanin Capital handled for Global Ocean Carriers Ltd.

"If we can do a Global Ocean in six months, that's better than sticking with PG&E for three years," said Belinsky. "We know

# Bailout Specialists

## Chanin Capital emerging as national restructuring leader



PHOTO BY RINGO CHIU

**Reviver: Chanin's Russell Belinsky crafted Loews' reorganization plan.**

how to fix a Global Ocean, while I can't begin to say what political levers you could use on Gray Davis."

Belinsky speaks from experience. Chanin represented bondholders in Orange County's \$10 billion bankruptcy. That protracted case was the primary reason the firm has steered clear of Pacific Gas & Electric Co.'s \$13.4 billion bankruptcy, which has become a major source of business for other restructuring firms in Los Angeles.

"Orange County, while it was huge in terms of publicity and results (bondholders got 100 percent payback), it was very politicized and very time consuming," Belinsky said.

"From an economic perspective, it didn't pencil out. We'd rather do 10 Global Ocean deals than one PG&E."

Chanin's specialty has been representing creditors, rather than companies, in major bankruptcy cases.

"Our sweet spot on the creditors' side is \$1 billion and up (in debt to be restructured)," Belinsky said. "On the company side, it's between \$200 million and \$1 billion. The smallest deal we'd look at is \$200 million."

And with the economy quickly souring, Chanin Capital is likely to get even busier in the months ahead.

### Grave dancers?

Belinsky, while acknowledging a "certain mercenary element to our business," said he and his colleagues have taken no pleasure in the economic pain spreading throughout the nation and beyond.

"We are doing more business than we ever have, but we don't wake up, read the paper in the morning and say, 'This is great – another 10,000 layoffs. We're going to be even richer.' And go cackling through the streets," he said.

Belinsky and Victor also point out that the high-yield bond and highly leveraged loan markets are massive, so even if the current 9-10 percent rate of defaults returned to 2-3 percent, there would still be plenty of work.

The firm just last month launched an entertainment/media group. And this month, it added a third office, in Dallas, to the firm's locations in West L.A. and New York.

At a time when many of the national full-service investment banks are jettisoning their mergers-and-acquisition and private placement

groups, due to lack of demand, contrarian-minded Chanin Capital is looking to expand in those areas. It is in talks with several senior-level specialists in those areas who have been recently let go by such blue-chip firms as Goldman Sachs & Co., Morgan Stanley, UBS Warburg and Lazard.

It's a long way from 1990, when Victor, then a vice president at Drexel Burnham Lambert Inc., and his boss, Jeffrey Chanin, then head of Drexel's reorganization and restructuring group, were notified that the firm was being shut down.

Chanin asked Victor if he wanted to join him in launching a restructuring firm. Belinsky, then an attorney at Skadden Arps Slate Meagher & Flom who had worked on several deals with Chanin and Victor, was invited to be a co-founder.

Chanin cashed out in 1995 and since then has been living a life of leisure in Connecticut – gardening, traveling with his wife, reading (military history, mostly) and spending time with his grandchildren.

And while he's only 61, Chanin has no intention of returning. "I was at it about 30 years. That was long enough," he said.

Yet he says he's very proud of Belinsky, 44, and Victor, 41, and how they have continued to grow his namesake firm.

"I'm delighted that my name is on the door of a company that is doing so well," he said. "Skip and Russ have built an excellent reputation. And to me, the reputation of that firm is like an epitaph to me. Not to be maudlin. It's a good one, and I get pleasure from that."



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