

Bankruptcy Group Of The Year: Gibson Dunn

By **Maria Chutchian**

Law360, New York (January 02, 2014, 3:36 PM ET) -- Gibson Dunn broke barriers in 2013 as it guided Bahrain-based Arcapita Bank BSC through the first U.S. reorganization that complies with Islamic financial law, landing itself a spot among Law360's Bankruptcy Practice Groups of the Year.

The firm's restructuring team focuses on both debtor and creditor representation and in 2013 solidified its role as a force to be reckoned with in cross-border insolvencies. Arcapita, an investment bank that was hit hard by the Arab Spring and the European financial crisis, entered bankruptcy in Manhattan in March 2012 and received court approval for its reorganization plan last June.

"I think it'll be a template for other deals to get done," said Michael A. Rosenthal, co-chair of the firm's business restructuring and reorganization practice group. "Particularly it will be a template because this was a case where creditors came out well and, interestingly, the management team came out well."

The case was complicated and frantic from the get-go, with the bank unsure of where to conduct its bankruptcy case in light of a management portfolio with assets scattered across the globe. At the time of the filing, the bank had about \$1.3 billion in assets and owed creditors around \$2.7 billion.

Gibson Dunn attorneys submitted the petition in U.S. bankruptcy court with just a few days notice, after creditors threatened to place Arcapita in involuntary proceedings in the Cayman Islands, according to Rosenthal.

The Gibson Dunn team not only had to negotiate \$150 million in debtor-in-possession financing and a plan that was compliant with Islamic law known as Shariah that bars the collection of interest, but also had to coordinate with a separate proceeding taking place in the Cayman Islands. In the end, more than 1,200 creditors holding in excess of \$2 billion in claims voted in favor of the reorganization.

Under the plan, Arcapita set up new operating companies overseen by a Cayman Islands holding company to manage its assets. The majority of shareholders opted to exchange their shares for warrants in the new company.

Though Arcapita was the team's crown jewel in 2013, the group did substantial work on behalf of creditors and shareholders as well. In the latter half of the year, Gibson Dunn bankruptcy attorneys represented Credit Suisse Group AG as the DIP agent in the Rural/Metro Corp. Chapter 11 case, and also represented senior secured lenders.

The lender group was composed of hedge funds Apollo Global Management LLC, Ares Management LLC, Babson Capital Management LLC, BlueMountain Capital Management, Monarch Capital Group LLC and Davidson Kempner Capital Management LLC. The case was filed last August in Delaware as the ambulance company's debt rapidly traded hands and it became unclear who owned what.

Ultimately, the secured lenders negotiated with a bondholder group to craft a prepackaged plan that converted all bond debt to equity and paid down some of the company's bank debt. Existing lenders provided the DIP facility. On Dec. 17, a bankruptcy judge confirmed the plan.

"It's terrific that it was able to be done in that fashion, but also indicative of our major role in dealing with the world of distressed investors," said David M. Feldman, co-chair of the business restructuring and reorganization practice group.

Feldman added that "the distressed investing world is taking over capital structures and trying to, in many cases, take a company through bankruptcy as quickly as possible to implement a financial turnaround."

Another 2013 victory for the group was a confirmed reorganization for Panama's Newland International Properties Corp., the developer and owner of the Trump Ocean Club International Hotel & Tower Panama in Panama City. The prepackaged plan was approved in just over 30 days, allowed Newland to refinance its \$220 million in secured debt obligations and fully paid all other creditors.

The team also represented the Law Debenture Trust Company of New York as the indenture trustee for \$400 million in subordinated notes issued by Ambac Financial Group Inc., the municipal bond insurer that went under in November 2010. Gibson Dunn obtained recovery for the subordinated noteholders in the form of equity and warrants in reorganized Ambac. The plan went into effect in May 2013.

Rosenthal and Feldman say their practice has mostly grown organically in recent years, with its biggest boost from lateral hires (including Feldman) occurring about five years ago. The group has about 30 attorneys in New York and another dozen or so overseas in the firm's London office, as well as in Paris; Munich; Dubai, United Arab Emirates; and Singapore.

The group's successes in 2013 were the culmination of at least three years of building up the practice around the world, Rosenthal said. He said he hopes to cash in on the group's Arcapita victory to work on more cross-border bankruptcies in 2014.

"I just think this was a year where everything came together," he said.

--Editing by Kat Laskowski.