The Deal

Restructuring advisers take their own medicine

BY ALEXIS ACOSTA

Bankruptcy and restructuring advisers make their livings rearranging assets or selling them, but last year, some of the firms they work for underwent their own overhauls.

Retooling took various forms. Some advisory firms bolstered their talent pool, while others wound down their operations. Some companies acquired rivals, as others either spun off restructuring units or divested pieces of them.

The maneuvers have increased because, in 2015, a few industries began to experience trouble. Bankruptcy filings in North America in the energy and mining sectors increased as commodity prices fell. More problems may present themselves in 2016.

"There is a big anticipation of a robust restructuring market that will go on and, frankly, I agree," said Perry Mandarino (seven active cases, 10th place among Non-Investment Bank professionals in The Deal's Bankruptcy League Tables for the fourth quarter of 2015), the leader of **PricewaterhouseCoopers**' U.S. Business Recovery Services. "It doesn't mean that bankruptcies are going to increase to 2008 or 2009 levels, but I do think the level of restructuring will increase and when that happens, firms strategically look to make investments in a market that will be hot."

For those advisory and law firms that see the restructuring opportunity ahead, the first inclination is to expand their professional rolls.

"When the need is about to increase, many players find themselves with benches that are not as strong as they need to be," said Wayne Weitz, the managing director of the bankruptcy and restructuring group at **EisnerAmper LLP**, which hired him away from **Gavin/Salmonese LLC** in October. "As a result, firms are creating an environment that makes it attractive for professionals to make moves from one firm to another."

The restructuring industry, which was going great guns in the latter part of the past decade, has gone through a serious lull since 2010, but many professionals expect those doldrums are over.

"As interest rates have (finally) started their inevitable rise, more companies that were on 'amend and extent' relationships with their lenders won't be as fortunate," asserted Weitz (16 active cases, placing him fourth among crisis management professionals while at Gavin/Salmonese, and with $54.1 billion in liabilities, ranking him 10th by volume.) "We expect the demand for our services to grow rapidly this year. Over the past five years, which were relatively slow for the restructuring industry, few firms added professional talent and many reduced their teams."

Some firms are still in downsizing mode.

Mesirow Financial Holdings Inc., which hasn't finished in first place in the investment bank category since the third quarter of 2008, made plans to wind down its consulting practice, Mesirow Financial Consulting LLC, after being unable to find a suitable acquirer or alternative solution for the practice.

Mesirow Financial Holdings officials didn't respond to calls, but in August, spokeswoman Debbie Krieps told The Deal, "The synergies that were originally thought [to be present] didn't materialize. [The] other overriding factor is that [consulting] has been a tougher business."

Starting the first quarter of 2015 in ninth place, Mesirow was able to move up to eighth by the second quarter, but dropped out of the standings in the fourth quarter altogether because it has only one active case, albeit a high-profile one, **Caesars Entertainment Operating Co.**, which is why it did finish in 12th place by volume by virtue of Caesars' $19.9 billion in liabilities.

Mesirow had actually burst onto the bankruptcy scene by acquiring the U.S. corporate recovery practice of **KPMG LLP** in 2004, and quickly vaulted to the head of its category. The passage of Sarbanes-Oxley reforms put pressure on KPMG and other auditing firms to divest their nonaudit businesses to avoid conflict-of-interest problems. The new restrictions on mixing audit and nonaudit work effectively bar

CONTINUED >

< PREVIOUS

these firms from pitching for many assignments.

Meanwhile, **Duff & Phelps Corp.** spun off its Duff & Phelps Canada Restructuring Inc. unit, now known as **KSV Advisory Inc.**, which became effective in July. In 2010, Duff & Phelps established a Canadian presence when it acquired Toronto-based independent financial advisory practice Cole & Partners and in 2011 acquired the Financial Restructuring Practice of **RSM Richter Inc.** which helped to build Duff & Phelps Canada Restructuring Inc.

Former RSM Richter managers Bobby Kofman, Mitch Vininsky, David Sieradzki, Robert Harlang and Peter Farkas joined Duff & Phelps as managing directors and now head KSV Advisory.

Despite parting with a sizable portion of its restructuring practice in Canada, Duff & Phelps still maintains a significant presence in the country.

"Duff & Phelps maintains core debt advisory, distressed M&A and corporate restructuring services in Europe, North America and around the globe," said Bob Bartell, Duff & Phelps' global head of corporate finance, in a statement.

Bartell noted that Brian Pawluck, a 30-year veteran of complex transactions and restructuring in the Canadian market, joined Duff & Phelps in November from PricewaterhouseCoopers to lead the Canadian restructuring practice.

Departing with a chunk of its Canadian business didn't hurt Duff & Phelps too much in the standings. In the fourth quarter, Duff & Phelps Securities LLC finished 11th among investment banks in the number of active cases (6) and 23rd in volume ($2 billion).

Blackstone Group LP spun off its financial advisory business altogether. The New York firm, for years a dominant player among restructuring advisers, decided on Oct. 7, 2014, to part with that part of its business due to regulatory constraints. In a March 4 filing by a spun-off entity, **PJT Partners Inc.**, with the Securities and Exchange Commission, Blackstone chairman and CEO Stephen A. Schwarzman stated, "The spinoff will free our advisory businesses from the current constraints on their expansion opportunities that have arisen from the growth and broadening of our asset management business. Our advisory professionals have been effectively precluded from competing for engagements in many transactions where the potential for an investment by a Blackstone fund created an actual or perceived conflict of interest."

Blackstone completed the spinoff in October. Blackstone's subsidiaries Blackstone Advisory Partners and Park Hill Group LLC, a fund advisory business, were spun off into PJT Partners, which finished fourth among investment banks in the fourth quarter with 16 active cases and in second place by volume with $91.7 billion in liabilities.

Amid the rumbling of a resurgence in the restructuring business, one investment bank has been thrown into turmoil with its own reorganization.

In February, four **Perella Weinberg Partners LP** partners were dismissed for allegedly plotting to solicit colleagues for a new firm they were developing and breaching the client nonsolicitation covenant. After the termination, the partners did create a rival restructuring firm, **Ducera Partners LLC**. But Perella

LAW FIRMS, VOLUME ($BILL.)

	Law firm	No. of active cases	Avg. liabilities	Liabilities
1	Akin Gump Strauss Hauer & Feld LLP	66	$15.7	$1,037.9
2	Vedder Price PC	49	20.2	989.4
3	Dentons	86	10.8	929.5
4	Duane Morris LLP	126	7.3	925.1
5	Latham & Watkins LLP	66	14.0	924.6
6	DLA Piper	115	8.0	915.5
7	Goulston & Storrs PC	44	20.6	905.8
8	Orrick, Herrington & Sutcliffe LLP	34	25.6	870.1
9	Debevoise & Plimpton LLP	12	71.2	853.9
10	Chadbourne & Parke LLP	24	35.5	851.7
11	King & Spalding LLP	37	22.9	848.0
12	Ropes & Gray LLP	14	59.9	839.0
13	Cleary Gottlieb Steen & Hamilton LLP	10	81.2	812.1
14	Cravath, Swaine & Moore LLP	6	134.1	804.3
15	Saul Ewing LLP	52	15.2	791.7
16	Godfrey & Kahn SC	3	261.9	785.8

LAWYERS, VOLUME ($BILL.)

	Lawyer	Law firm	No. of active cases	Avg. liabilities	Liabilities
1	Rosner, Douglas	Goulston & Storrs PC	29	$30.8	$893.0
2	Golden, Daniel	Akin Gump Strauss Hauer & Feld LLP	12	69.4	832.4
3	Gilhuly, Peter	Latham & Watkins LLP	23	36.2	832.0
4	Hahn, Richard	Debevoise & Plimpton LLP	5	164.5	822.5
5	Davidson, Scott	King & Spalding LLP	7	115.0	805.0
6	Steinberg, Arthur	King & Spalding LLP	10	79.4	794.4
7	Nixon, Timothy	Godfrey & Kahn SC	3	261.9	785.8
7	Williamson, Brady	Godfrey & Kahn SC	2	392.9	785.8
7	Wofford, Keith	Ropes & Gray LLP	2	392.9	785.8
8	Seife, Howard	Chadbourne & Parke LLP	16	46.3	741.2
9	LeMay, David	Chadbourne & Parke LLP	8	89.9	719.2
10	Mayer, Thomas	Kramer Levin Naftalis & Frankel LLP	7	99.7	697.6
11	Lipke, Douglas	Vedder Price PC	34	20.3	690.7
12	Kiplok, Christopher	Hughes Hubbard & Reed LLP	7	98.0	686.2
13	Sosnick, Fredric	Shearman & Sterling LLP	5	137.2	685.9
14	Kirpalani, Susheel	Quinn Emanuel Urquhart & Sullivan LLP	8	84.8	678.4
15	Lauria, Thomas	White & Case LLP	13	52.2	678.0
16	Mayer, Katharine	McCarter & English LLP	26	26.0	675.5

Source: The Deal LLC

CONTINUED >

< PREVIOUS

Weinberg hasn't taken the matter lightly, filing a lawsuit against its former partners—Michael Kramer, Derron Slonecker, Joshua Scherer and Adam Verost—in the New York State Civil Supreme Court in October for allegedly violating an employment agreement and seeks damages as well as disgorgement of all revenues, earnings, profits, compensation and benefits that the defendants have or may obtain as a result of such business practices. The partners shortly filed their own summons to commence a countersuit in November, citing a breach of contract and approximately $60 million owed in equity and compensation.

While the matter continued to make its way to court, Perella Weinberg on Jan. 7 officially hired Bruce H. Mendelsohn, former Head of the Americas Restructuring Group at **Goldman, Sachs & Co.** in a move to rebuild the firm's restructuring services. The good news for Perella Weinberg is that lawsuits didn't affect its overall standings too much. The firm finished 10th in the number of cases and 15th by volume, with liabilities of $8.5 billion, only dropping two places in the number table and one spot by volume from the third-quarter standings.

But while some firms were lowering their profile in the restructuring business, others were expanding theirs, namely through hiring more people.

In June, Emeryville, Calif.-based **Berkeley Research Group**, known for various advisory services, including forensic accounting, acquired Capstone Advisory Group LLC to help bolster a number of its practices, including its restructuring and bankruptcy team.

Besides gaining a major debtor, **Quicksilver Resources Inc.**, as a client, BRG found itself with quite a roster of hired guns. Before coming to BRG in June, managing directors Christopher Kearns and Mark Shankweiler figured prominently in the standings among crisis management professionals. Kearns had placed 12th among crisis managers and fifth by volume with $81.9 billion in liabilities, while Shankweiler place 18th overall and 14th by volume with $52.1 billion before the acquisition. In the fourth quarter with BRG, Kearns moved to ninth place with 11 active cases and fourth place with $103.3 billion, while Shankweiler only placed in the by volume standings, moving up to 10th place with $56.3 billion.

Previously known for its accounting practice, EisnerAmper has made a significant expansion into crisis management with a number of moves last year. Besides landing Weitz, the firm also recruited a team of restructuring and performance improvement professionals from Executive Sounding Board led by managing partners Robert Katz.

"With our recent growth, we have cemented our profile as a crisis management and restructuring practice," said Weitz via e-mail responses. "We now compete regularly with the largest firms in that category. With our recent additions of Mike DuFrayne and Rob Katz, and our acquisition of a California-based forensic accounting and technology practice, we are now a full-service, national firm

CONTINUED >

INVESTMENT BANKS, VOLUME ($BILL.)

	Bank	No. of active cases	Avg. liabilities	Liabilities
1	Miller Buckfire & Co. LLC	8	$90.8	$726.1
2	PJT Partners Inc.	15	6.1	91.7
3	Jefferies LLC	10	8.4	83.8
3	Solic Capital Advisors LLC	13	6.4	83.8
4	Lazard Ltd.	20	4.0	79.0
5	Millstein & Co.	2	34.8	69.6
6	Evercore Partners Inc.	9	6.5	58.4
7	Centerview Partners LLC	4	13.5	53.8
8	Peter J. Solomon Co.	2	25.3	50.5
9	Moelis & Co. LLC	21	2.2	46.3
10	Houlihan Lokey Inc.	18	2.5	45.3

CRISIS MANAGEMENT FIRMS, VOLUME ($BILL.)

	Firm	No. of active cases	Avg. liabilities	Liabilities
1	BRG Capstone	32	$25.1	$803.5
2	FTI Consulting Inc.	101	3.9	391.0
3	Goldin Associates LLC	10	10.8	107.8
4	AlixPartners LLP	21	5.1	106.3
5	Alvarez & Marsal LLC	41	2.6	105.9
6	Protiviti Inc.	20	3.9	77.3
7	Gavin/Solmonese LLC	26	2.4	62.3
8	EisnerAmper LLP	30	0.7	20.0
9	Conway MacKenzie Inc.	17	0.8	13.8
10	Huron Consulting Group Inc.	11	0.9	9.4

NONINVESTMENT BANKS, VOLUME ($BILL.)

	Firm *	No. of active cases	Avg. liabilities	Liabilities
1	Epiq Bankruptcy Solutions LLC	72	$10.8	$781.1
2	BMC Group Inc.	60	11.1	666.6
3	Kurtzman Carson Consultants LLC	110	2.2	239.0
4	KPMG	16	5.1	81.4
5	Kekst and Co.	10	5.9	59.3
6	Garden City Group Inc.	28	2.1	57.5
7	Prime Clerk LLC	49	1.1	55.1
8	Perry Street Communications	1	49.7	49.7
9	Ernst & Young	21	1.8	37.4
10	Joele Frank, Wilkinson Brimmer Katcher	4	6.4	25.6

*Deloitte includes Deloitte & Touche Inc., Deloitte & Touche LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP and Deloitte Touche Tohmatsu; Ernst & Young includes Ernst & Young Inc. and Ernst & Young LLP; KPMG includes KPMG Corporate Recovery, KPMG Inc. and KPMG LLP.

Source: The Deal LLC

< PREVIOUS

with deep professional talent that can take on a full range of assignment in the restructuring and insolvency space."

For the company as a whole, EisnerAmper had held steady throughout the year in second place when categorized as a non-investment bank. By volume, the company moved from ninth place in the first quarter to 11th place by the third. The firm ended the fourth quarter in third place in the crisis management firms standings and in eighth place by volume with $20 billion in liabilities. Weitz placing 16th with five active cases.

There were advisers, namely law firms, that grew by acquisition.

Dentons, for example, became the world's largest law firm last year, with more than 7,000 lawyers globally, after starting off 2015 combining with one of the biggest law firms in China, Dacheng Law Offices.

Making less of a splash was Dentons' stateside unit, Dentons US LLP, finalizing a merger in July with McKenna Long & Adridge LLP. Buying McKenna Long brought over many bankruptcy cases, such Suffolk Regional Off-Track Betting Corp., Innovative Candy Concepts LLC, Event Rentals Inc. and RadioShack Corp., and some $3.09 billion in debtor liabilities. It also resulted in more than 300 new employees. Among law firms, Dentons placed first with 204 active cases and third by volume with $929.5 billion in liabilities in the fourth quarter.

Another law firm giant, **DLA Piper**, also expanded globally last year, and its international footprint in the bankruptcy area grew with the addition in April of Canadian firm Davis LLP. The company will be known as DLA Piper (Canada) LLP. With Davis came major bankruptcy clients such as Shoreline Energy Corp. ($36.2 million in liabilities) as well as League Assets Corp., the largest active CCAA filing for the firm by virtue of its $474.7 million in liabilities. (DLA Piper also bolstered its stateside bankruptcy practice with the addition of former Gordon Silver partner, Eric Goldberg, in its Los Angeles office.) In the fourth quarter standings, DLA Piper placed fourth with 136 active cases and sixth with $915.5 billion by volume.

With more infrastructure for firms such as Dentons and DLA Piper in place, will more restructuring work come?

PwC's Mandarino said he believes so.

"I think restructurings will be on the rise," he asserted. "I think the gross number of restructurings, you may see more [of a] a higher percentage of defaults in senior and in bond issuances. Will they necessarily lead to a formal court proceeding? Unknown, but I believe the pure number of restructurings will increase and again you have oil and gas, you have energy, which is its own world. I think the retail sector will continue to be challenged. I believe the provider sector in healthcare, meaning hospitals, will be challenged. There have been a fair number of medical device companies that have filed or that are troubled. In gaming, municipalities, there is a fair amount of sectors that we are certainly paying attention to."

And so will the firms that have made bets on their bankruptcy practices going forward. ■

INVESTMENT BANKERS, VOLUME ($BILL.)

	Banker	Bank	No. of active cases	Avg. liabilities	Liabilities
1	Erickson, Stuart	Miller Buckfire & Co. LLC	3	$217.7	$653.2
2	Luria, Neil	Solic Capital Advisors LLC	12	7.0	83.7
3	Zelin, Steven	PJT Partners Inc.	7	11.9	83.5
4	Klein, Richard	Jefferies LLC	8	10.0	80.1
5	Szlezinger, Leon	Jefferies LLC	6	13.3	79.8
6	Casas, Edward	Solic Capital Advisors LLC	9	8.8	79.6
7	Millstein, James	Millstein & Co.	2	34.8	69.6
8	Nowitz, Raoul	Solic Capital Advisors LLC	3	18.2	54.7
9	Coleman, Timothy	PJT Partners Inc.	3	17.5	52.4
10	Pohl, Timothy	Lazard Ltd.	3	17.4	52.1

CRISIS MANAGERS, VOLUME ($BILL.)

	Professional	Firm	No. of active cases	Avg. liabilities	Liabilities
1	McCrary, Stuart	BRG Capstone	1	$613.0	$613.0
2	Eisenband, Michael	FTI Consulting Inc.	12	24.5	294.2
3	Tully, Conor	FTI Consulting Inc.	7	31.1	217.8
4	Kearns, Christopher	BRG Capstone	11	9.4	103.3
5	Simms, Steve	FTI Consulting Inc.	15	6.2	92.9
6	Holtz, Alan	AlixPartners LLP	4	16.6	66.4
	Nolan, William	FTI Consulting Inc.	6	11.1	66.4
7	Star, Samuel	FTI Consulting Inc.	11	5.8	64.2
8	Chadwick, Peter	BRG Capstone	3	20.1	60.2
9	Joffe, Steven	FTI Consulting Inc.	3	20.0	59.9
10	Shankweiler, Mark	BRG Capstone	4	14.1	56.3

NONINVESTMENT BANKERS, VOLUME ($BILL.)

	Professional	Firm	No. of active cases	Avg. liabilities	Liabilities
1	Corrie, Pamela	Epiq Bankruptcy Solutions LLC	72	$10.8	$781.1
2	Feil, Tinamarie	BMC Group Inc.	55	12.0	661.3
3	Kass, Albert	Kurtzman Carson Consultants LLC	98	2.3	224.1
4	Fielding, Jeremy	Kekst and Co.	5	10.6	52.9
5	Bibby, Thomas	KPMG LLP	1	49.7	49.7
	David, J.; Hill, P.; Kriger, K.	Kekst and Co.	1	49.7	49.7
	Lovern, Ross	Kekst and Co.	2	24.9	49.7
	Morgan, Jonathan	Perry Street Communications	1	49.7	49.7
6	Waisman, Shai	Prime Clerk LLC	33	1.3	41.4
7	Freitag, Michael	Joele Frank, Wilkinson Brimmer Katcher	3	8.5	25.6
8	Repko, Meaghan	Joele Frank, Wilkinson Brimmer Katcher	2	11.6	23.2
9	Beekenkamp, Brent	Ernst & Young Inc.	1	22.4	22.4
	McDonald, Murray	Ernst & Young Inc.	2	11.2	22.4
10	Palash, Aaron	Joele Frank, Wilkinson Brimmer Katcher	1	22.2	22.2

Source: The Deal LLC