

Bankruptcy MVP: Morrison & Foerster's Gary Lee

By **Stephanie Russell-Kraft**

Law360, New York (December 04, 2013, 4:04 PM ET) -- Gary Lee of Morrison & Foerster LLP has had a knockout year representing bankrupt financial services firms, guiding mortgage giant Residential Capital LLC through one of the most complex bankruptcy proceedings in the past year and earning him a spot on Law360's list of 2013 bankruptcy MVPs.

As head of the firm's business restructuring and insolvency group, Lee is lead bankruptcy counsel to ResCap, which entered bankruptcy in May 2012 and whose liquidation plan is expected to be confirmed this month.

The U.K. native's previous bankruptcy work includes guiding Landsbanki Islands hf., one of Iceland's three largest banks before the financial crisis, through the nationalization of its assets, the liquidation of its remaining assets and the resolution of cross-border claims and litigation.

The experience of dealing with an unprecedented countrywide financial collapse was "incredible," he said, and prepared him intellectually for the challenge of restructuring ResCap.

"ResCap came along right as the Icelandic work looked like it was going into a fairly steady state," Lee said.

He picked up the ResCap account in 2011. As one of the world's the largest mortgage servicers, ResCap had suffered at the hand of a faltering mortgage market, more than 20 securities lawsuits and a probe of its foreclosure practices by the U.S. Department of Justice.

Lee wondered at the time if it was possible to run, operate and sell a "very highly" regulated financial services firm while it was in bankruptcy, especially in an industry under siege.

"The vision was there," he said. "If we could get all the business counterparties comfortable, we could prearrange a lot of the sale up front."

So Lee spent months negotiating with regulators, claimants and potential buyers — anyone who had a viewpoint about the company's future — before filing for bankruptcy.

He also reached a deal with institutional investors to support the transfer of the business and secured \$1.45 billion in DIP financing from Barclays to allow ResCap to operate during bankruptcy — one of the largest DIP financings since the beginning of the financial crisis.

In February 2012, Lee effectuated a \$4.1 billion sale of ResCap's mortgage origination and servicing platforms, nearly \$1 billion more than what the firm would have received from its stalking horse.

"This was all before the bankruptcy, and any number of these pieces could have fallen apart," Lee said.

When ResCap entered bankruptcy, it listing \$15.7 billion in assets and \$15.3 billion in debt,

Although Lee said several aspects of the case have taken significant detours during the past year and half, he is very satisfied with his leading role in what he said is "the single most complicated bankruptcy case any of us has ever been involved in."

Lee said that his plan, which allowed the company to operate during bankruptcy, preserved 3,000 jobs. He said he has also saved the company hundreds of millions of dollars in legal fees by negotiating with regulators and counterparties before the company entered bankruptcy.

ResCap, which recently reached a major deal with a group of bondholders opposed to its liquidation plan, is aiming for a confirmation hearing Dec. 11.

"If we achieve all of this, we will have achieved in two years what should have happened in 10," Lee said. "We've done more in two years than anyone could have imagined, and it's a testament to the people who have worked on this case."

He praised the "very big" Morrison & Foerster team that has supported him throughout the ResCap case, including bankruptcy specialists Todd Goren and Lorenzo Marinuzzi and litigators Jamie Levitt and Chet Kerr.

"You can't do this without good people," he said.

Lee, who studied law in Manchester, England, said that his experience working on foreign bankruptcy proceedings as a young associate in New York whet his appetite for the complex and contentious cases he's encountered in the past few years.

While Lee expects there will be fewer American restructuring cases in the coming years, he anticipates many opportunities to pop up in Europe, a region where he has a good grasp of the laws.

And when he reflected on his work in the Icelandic bank and ResCap restructuring cases, Lee said the biggest thing they had in common was that nobody had previously done them.

"Our clients expect new things, and there will always be a call for that," Lee said.

--Additional reporting by Jaime Santo and Maria Chutchian. Editing by Chris Yates.