

THE AMERICAN LAWYER

APRIL 2007

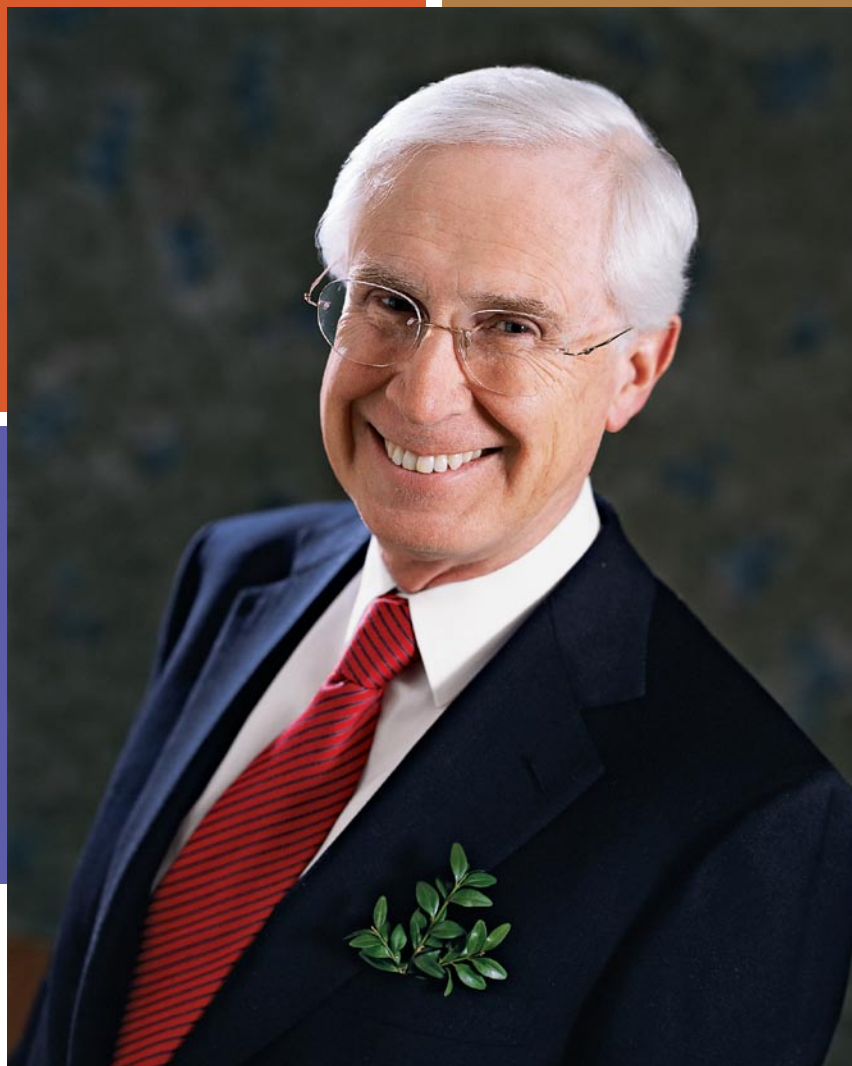
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ALM

J. GREGORY MILMOE { SKADDEN, ARPS, SLATE, MEAGHER & FLOM }

DEALMAKERS OF THE YEAR

*When the circumstances demanded innovative solutions,
these lawyers distinguished themselves.*



PHOTOGRAPH BY PAUL GODWIN

PROP STYLING BY JEN EVERETT

Helping Refco recover its balance after an epic meltdown required the steady hand and calm demeanor of a bankruptcy veteran.

J.GREGORY MILMOE OF SKADDEN, ARPS, Slate, Meagher & Flom has a reputation for remaining calm. “While other people are all in the room yelling and getting mad at each other, he’s the person sitting there until they blow off steam,” says David Pauker, the chief restructuring officer of Refco Inc. That ability to keep cool served Milmoie well as Refco—one of the largest commodities brokerages in the country, and Milmoie’s client—melted down.

On October 10, 2005, the company disclosed that its CEO, Phillip Bennett, had hidden \$430 million of Refco’s bad debt, forcing the company to disavow three years’ worth of financial statements, and sending customers into a panic. Over the next year, Milmoie and the team at Skadden would be helping Refco sell assets and satisfy creditors.

Within a day of the disclosure about Bennett, investors had withdrawn nearly \$1 billion from their accounts with Refco Capital Markets, Ltd. (RCM), a subsidiary where accounts were not protected by the Commodity Futures Trading Commission. “[It was] a trickle at first, and then a stream of people began demanding their money back,” says Milmoie, 59, the cochair of Skadden’s corporate restructuring group. To make matters worse, the Chicago Mercantile Exchange gave the company an ultimatum: Do something fast to ensure the company had the liquidity to reimburse customers, or it would transfer the \$7.5 billion from Refco customer accounts to another broker.

A NEW LEAF

“People [began] bringing in lawsuits that said, ‘Screw this, you’ve got to pay me,’” says Milmoie.

Bankruptcy for Refco Inc. and 23 of its unregulated subsidiaries, including RCM, was the only option. Normally lawyers have a lead time of about two months to prepare a large company for Chapter 11. But Refco resembled a “melting ice cube,” says Milmoie: The longer it waited to declare bankruptcy, the less it was worth. Milmoie and his team drafted the bankruptcy plan in just 48 hours and filed it on October 17. Milmoie says he took short naps every 18–20 hours on the floor of his office at Skadden’s New York headquarters. “Before we got completely rancid, we did take a shower and put on some clean clothes,” he says. Sally McDonald Henry, a corporate restructuring partner who worked with Milmoie on the case, remembers not getting any sleep that weekend. “He’ll walk through walls for clients,” she says of Milmoie. “And he gets us to follow him.”

Chapter 11 was just the beginning. After a 21-hour auction in November at Skadden’s New York office (an event that Milmoie jokingly described as a “Wild West shoot-out”), London-based Man Financial Inc., a securities and futures exchanges broker, agreed to purchase Refco LLC for \$323 million. As part of the deal, customers at Refco received all of the money in their accounts when Man Financial acquired the company. But to avoid any future liabilities, Man Financial wanted the subsidiary to be in Chapter 7 at the time of the sale. And the sale needed to happen at a time when there was no trading activity going on anywhere in the world, so customer accounts could be transferred without complication. They chose November 26, 2005—the Friday after Thanksgiving—between 4:31 P.M. and 7 P.M. Milmoie asked U.S. bankruptcy court judge Robert Drain to open his courthouse doors that afternoon to execute the transaction. Drain obliged and brought the court clerk, the bailiff, and his 10-year-old son with him to court. Two-and-a-half hours later, the sale was approved. Refco’s 70-plus smaller entities were wound down, and the assets were distributed to creditors.

Milmoie then had to divide the money among creditors. For three months he worked to negotiate settlements among all of Refco’s creditors. Refco’s CEO, Harrison Goldin, says that there obviously wasn’t enough money to go around, but that “Greg was particularly adept at communicating the realities and having people accept them.” The bankruptcy, however, was a big moneymaker for Milmoie and Skadden. According to Milmoie, Skadden billed \$45 million over a 14-month period. Sometimes it pays to remain calm. —JESSICA JONES

15 Number of Skadden conference rooms required for auction of Refco LLC’s assets.

The solution, however, wouldn’t be easy. “Our biggest problem was a lack of accurate information about the company,” says Milmoie. “The CEO [Bennett] had been dragged off in handcuffs, the number two officer [Santo Maggio] appeared to be missing in action—it wasn’t clear if he was arrested or not. A couple of other people high up were barred from the premises. It was a mess.” In order to stabilize the company’s finances, Refco declared a moratorium on withdrawals, stating that it wouldn’t pay any of its customers for two weeks. Things didn’t quite work out as planned: