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## Distressed Asset Sales

Step toe & Johnson LLP's Distressed Asset Sales Practice has a far-ranging and well-respected domestic and international focus, concentrating principally on representing acquirers and other investors in the asset transactions in the context of reorganizations, workouts, and bankruptcies. We have been involved in many of the most sophisticated transactions in the United States.

Our practice represents debtors, trustees, secured, unsecured, and subordinated creditors and equity holders of financially troubled enterprises, and purchasers with a particular depth of experience in transactions involving manufacturing and power generation facilities, and real estate, construction, and extraction projects.

We have been successful in rendering advice, structuring transactions, and developing innovative solutions to conclude such acquisitions within and outside of bankruptcy proceedings.

### Representative Matters

- Counsel to American International Group (AIG), one of two major surety creditors and debtor in position lenders, in the sale of substantially all the assets of J.A. Jones, Inc. and its over 30 subsidiaries. This filing, which involved over 200 incomplete construction projects, was the largest construction bankruptcy of 2003 and the largest such general contractor filing to date. During the course of the proceeding, Step toe attorneys participated in the sale of over \$1 billion in distressed assets.
- Counsel for Mitsubishi Heavy Industries, Ltd., a power plant turbine manufacturer, in the pending Chapter 11 proceedings of National Energy Group, LLC (NEG), the former unregulated merchant subsidiary of Pacific Gas & Electric, Inc. Our client was party to a multi-billion dollar contract to supply turbines to a series of electric generation projects throughout the United States and NEG's largest non-bank creditor. Step toe participated in the sale of several power generation facilities with our client's turbines.

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- Counsel to AIG in the reorganization of Horizon Natural Resources (Horizon), the fourth largest mining operator in the United States. AIG provided \$227 million in surface mining reclamation bonds to Horizon and participated in the transfer of all of Horizon's assets, including hundreds of coal mines, mining leases, major equipment, and related fuel supply contracts. The original series of sales were structured in three portions to three different sets of acquirers. AIG continues to have an interest in one of the acquirers and is continuing to negotiate second-tier asset sales.
- Counsel to Zurich North America (Zurich) in representing its interests as the largest creditor in the Chapter 11 proceedings for Agway, Inc. (Agway). Zurich provided bonds as collateral to Agway's insurers in connection with Agway's workmen's compensation and other insurance programs. In the course of this representation, Steptoe attorneys participated in the sales of all segments of the Agway business.
- Represented the surety insurers' syndicate in connection with its bankruptcy debtor in possession financing and innovative leveraged acquisition of assets from the bankruptcy estate of Guy F. Atkinson Co. (Atkinson), a major international construction company. Among the assets acquired by the sureties were Atkinson's interests in several power generation facilities in North America, manufacturing facilities in Indonesia, and three major portions of Boston's Big Dig, the largest single construction project in US history. The firm's work was featured in *Bankruptcy Court Decisions*.
- Steptoe represents Motorola in various distressed sales and creditors' rights matters throughout the United States and in Europe. We are currently representing the company in a high-profile multi-billion dollar Racketeer Influenced and Corrupt Organizations (RICO) case against a prominent Turkish family arising out of a loan made to a cellular telephone company owned by the family. Steptoe has successfully attached and resold millions of dollars in assets in New York, Bermuda, Germany, France, and the United Kingdom.

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- Counsel to the 35-member insurers' group in the \$3.5 billion workout negotiations and pre-packaged workout of Morrison Knudsen Corporation, a major international construction contractor. In this bankruptcy, the sureties obtained the primary financial interest in Morrison Knudsen's passenger railcar manufacturing business through an innovative orphan company structure that avoided incurring environmental liability. Steptoe attorneys also participated in the resale of the business to a foreign railcar manufacturer.
- Steptoe has been appointed as counsel to Independent Fiduciary Services, the court-appointed fiduciary of the four defined benefit pension plans sponsored by United Air Lines (UAL) in its bankruptcy proceeding. This high-profile representation involves complex pension and bankruptcy issues central to the feasibility of any reorganization plan for one of the largest airlines in the world. The firm filed a claim seeking administrative expense priority for nearly one billion dollars in unpaid mandatory pension plan contributions.
- Steptoe has been involved in negotiations relating to the possible sale of significant UAL assets.
- Steptoe currently provides a wide range of workout, restructuring and bankruptcy-related counsel and advice to Deutsche Bank. We have successfully represented the bank in matters involving hundreds of millions of dollars in loans to companies in the healthcare, real estate development, franchise, and commercial real estate development and ownership industries.
- Counsel to the Dominican Republic in its \$770 million international arbitration and negotiation of a workout with Smith-Enron, Inc., an insolvent independent power producer (IPP) with which the Dominican Republic had payment disputes. This representation involved extensive negotiations with the International Finance Corporation, the IPP's principal creditor and led to a revision of long-term contractual arrangements between the parties.
- Counsel to the Cooperative Utility Trusts (Trusts), the largest unsecured creditors in the reorganization of Cajun Electric Power Cooperative, Inc., one of the major electric cooperative reorganizations in the United States. The Trusts were able to negotiate a full, direct, and irrevocable assumption of their \$900 million directly by the US government in connection with the asset transactions that formed the basis for the plans of reorganization.

## Distressed Asset Sales

- Steptoe frequently represents the Pension Benefit Guaranty Corporation (PBGC), the insurer of workers' pensions under the Employee Retirement Income Security Act. The PBGC is often among the largest creditors in major industrial bankruptcies. For example, the firm represented PBGC in the LTV and Wheeling-Pittsburgh proceedings, two of the largest bankruptcy proceedings in United States' history. The representations involved all aspects of reorganizing the steelmakers' business and converting them into profitable enterprises. This PBGC experience gives our attorneys unusual insight into the pension liability implications of a bankruptcy. PBGC is generous in waiving conflicts in situations in which the firm might be adverse to its interests.
- Counsel for CoBank, ACB in the renegotiation and refinancing of the debt and equity terms in the \$360 million Newsprint South, Inc., facility in Grenada, Mississippi. The renegotiation involved a newsprint production facility that was indirectly owned by a number of rural cooperatives. As a result of the workout, the lenders received the owners' entire equity interest in the project company owning the assets.