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TOP TRANSACTION LAWYERS | 2012

Energy deals, hostile takeovers,
and poison pills: Dealmaking in 2011
sometimes had a mid-eighties feel.

DEALMAKERS OF THE YEAR

ROBERT SCHUMER | Paul, Weiss, Rifkind, Wharton & Garrison LLP



Music Man

Although he's no Jimi Hendrix, Paul, Weiss's Robert Schumer pulled the strings in a 37-bidder auction for Warner Music Group last year.

Photography by Paul Godwin

Selling Warner Music meant presiding over a
37-bidder auction and juggling multiple exit strategies.

GOING PLATINUM

By Drew Combs

WARNER MUSIC GROUP CORP. general counsel Paul Robinson has worked on deals with Robert Schumer, corporate department chair at Paul, Weiss, Rifkind, Wharton & Garrison LLP, for well over a decade, dating back to the days when the record company was a division of Time Warner Inc. But that doesn't mean Robinson has any inkling about Schumer's musical taste. "I'm not sure we've ever talked about music," Robinson says. "I don't know if he even listens to music."

Instead, Robinson and his bosses are interested in Schumer's business acumen, a quality that was on display last year in a seven-month-long auction that culminated in the sale of Warner Music to Access Industries, the holding company of Russian-American billionaire Leonard Blavatnik. "Bob was extremely thoughtful throughout the process about issues like how to best value individual bids, possible tax liabilities, and public company responsibilities," says Edgar Bronfman, Jr., Warner Music's former chairman.

The sale presented a series of challenges. One of the most basic arose from sometimes differing priorities among the owners. Bronfman and a group of private equity firms, including Thomas H. Lee Partners, purchased the record company from Time Warner in 2004; a year later they took the company public. The result was a board with both independent directors and a private equity contingent. There was time pressure, too: The board wanted to complete the sale before rival EMI Group Limited was put up for sale by Citigroup, Inc. Schumer "anticipated the board's concerns and always had thoughtful responses to their questions," Bronfman says.

The board's goal was to obtain the highest price for the company, even if it meant separating Warner's music publishing division from its recorded music division. (The publishing division was potentially more valuable, but the record division had a higher profile.) Toward that end, Schumer and his 12-person team established an auction that allowed for four different scenarios: selling the whole company to one buyer, selling each division to separate buyers, and selling the music division and keeping the publishing division (or vice versa).

The multiple permutations drew interest from 37 potential bidders.

While the idea of separating the divisions spiked bidder interest, it posed complications. "The problem with selling one division was that the remaining entity would have significant tax liabilities," Schumer says. To counter that, Schumer set up

a structure that would allow for the sale of the whole company and the spin-off of the unwanted division.

Once the bidding process got under way, Schumer's role shifted to advising the board in evaluating the disparate offers in a manner that allowed for apples-to-apples comparisons. "We were constantly updating the board on whether a bid was realistic, the ramifications of certain conditions in bids, and the risks that accompanied each bid," Schumer says. "Higher-priced offers were usually tempered with more stringent conditions. Working out all the differences was a complex analysis."

Although Warner Music was ultimately sold in its entirety to Access for \$3.3 billion last May, even that transaction was difficult, since Warner Music was publicly held, while Access was private and had no other music holdings. "The deal required a lot of Bob's patience and problem-solving skills," Bronfman says. (Access was represented in the deal by a Debevoise & Plimpton team headed by Jeffrey Rosen; on the seller side, Simpson Thacher & Bartlett was regulatory counsel and Herbert Smith was E.U. counsel.)

In another billion-dollar-plus media industry deal in 2011, Schumer was lead attorney for longtime client Time Warner Cable, Inc., in its \$3 billion acquisition of cable company Insight Communications Co. Schumer was named a Dealmaker of the Year in 2006 for his representation of Time Warner in its \$17.9 billion joint acquisition with Comcast Corporation of the cable properties of Adelphia Communications Corporation, following Adelphia's bankruptcy.

So after a year spent in the music industry's trenches, just what is on Schumer's iPod? His taste could best be described as eclectic, ranging from classical music to rock. In fact, as a teenager, Schumer was a drummer in a rock band. But in high school, he decided that his drumming skills weren't likely to get him in the door at a major label. "I sold my drums to help pay for college," he recalls. Sounds like a smart move.

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DEAL IN BRIEF

ACCESS-WARNER MUSIC

VALUE	\$3.3 billion
FIRM'S ROLE	Target's Counsel