

M&A MVP: Latham & Watkins' Charles Ruck

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Charles Ruck
Latham & Watkins LLP

Law360, New York (December 05, 2012, 3:45 PM ET) -- For his work this year on a slew of complex life sciences and technology deals including Watson Pharmaceuticals Inc.'s \$5.65 billion acquisition of Actavis Group, Latham & Watkins LLP's Charles K. Ruck has earned a spot on Law360's list of M&A MVPs.

Ruck, a partner in the firm's Costa Mesa, Calif., office, successfully navigated the politically charged Watson-Actavis deal in part through the use of representation and warranty insurance to bridge a debt indemnification disagreement between the parties.

This unique strategy allowed Watson to obtain significant escrow protection post-closing in light of Iceland-based Actavis' connection to that country's banking crisis and its enormous debt to Deutsche Bank AG, according to Ruck.

"The political overtones of the failure of the Icelandic banking community and of Deutsche Bank being the effective owner made for some interesting issues," Ruck said. "We had to make it interesting for [the Deutsche Bank management] so they were willing to do the deal."

Deutsche Bank became Actavis' largest creditor in 2007 after it financed Icelandic billionaire Bjorgolfur Thor Bjorgolfsson's \$5 billion leveraged buyout of the company. In the fallout from the Lehman Brothers collapse that followed shortly thereafter and its effects on the Icelandic banking system, Actavis suffered under its debt and Deutsche Bank reported impairment charges topping €400 million (\$523 million) related to the company.

In negotiations that lasted more than a year, Deutsche Bank and Watson disagreed over the size the escrow and indemnification could be in the event that problems arose post-closing. Instead of sticking the creditor with the obligation to repay some of the purchase price of the company should something go awry, Ruck and his team convinced Deutsche Bank to pay the insurance premium, allowing it to avoid risk while Watson took control of Actavis in a deal that would create the world's third-largest generic-pharmaceuticals maker.

The deal was also documented entirely under U.K. law, which Ruck said presented its own set of challenges. It required pulling together a large team of Latham lawyers to execute the deal internationally, ensuring that Actavis' operations in more than 30 countries were accounted for, that more than a dozen products were properly divested to assuage antitrust concerns, and that Watson could obtain the \$4 billion in financing it needed to complete the deal, according to Ruck.

Having spent his entire career so far at Latham & Watkins in Southern California, Ruck has built his mergers and acquisitions, capital markets, and corporate and securities practice around his enthusiasm for life sciences and technology in the context of the firm's vast resources and the region's ever-growing supply of interesting deals.

According to Ruck, West Coast entrepreneurs' penchant for developing new medical devices and pharmaceuticals makes for a great flow of M&A deals that are both lucrative and rewarding.

"Life sciences has always been an interest for me. I like to say that it's an opportunity to do good while doing well; you can be successful and help people at the same time," he said.

One particularly complex deal outside the life sciences sector that presented unique challenges was Dell Inc.'s \$2.4 billion purchase of IT management software provider Quest Software Inc. in July.

Ruck represented Quest after having cultivated a relationship with billionaire Vincent Smith, the 40 percent owner of the company who decided to take it private after a stock option backdating investigation. The deal took a surprising turn when, after Quest received bids from private equity firms Insight Venture Partners LP and Vector Capital, Dell jumped into the ring with a hostile bid.

This added a complication to the already somewhat controversial 20 percent stock option offer that had been adopted to attract bidders, but after much negotiation, the technology giant agreed to a significant premium over its initial bid and the result was positive for shareholders, Ruck said.

Ruck, who serves as primary outside counsel to many of his clients, represents company leaders in corporate governance matters and is chair of Latham & Watkins's Strategic Client Initiative, is currently representing Medicis Pharmaceutical Corp. in its \$2.6 billion acquisition by Valeant Pharmaceuticals International Inc.

He's also advising JPMorgan Chase & Co. in connection with Baxter International Inc.'s \$4 billion acquisition of Swedish dialysis product maker Gambro AB — Baxter's largest deal ever. With tax hikes looming, interest rates remaining low and the life sciences and technology sectors booming, Ruck said it looks like he will be just as busy with complex deals in the next year as he was in the last.

"The pipeline feels very full," he said.

--Editing by Jeremy Barker.