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LISTMAKER

National law firm sees big talent draw in Houston

BY JOSH CAIN
jcain@bizjournals.com
713-395-9626, @HBJCain



McKool Smith, an national law firm based in Dallas, has handled some of the largest bankruptcy cases in history over the last few years, and Principal Hugh Ray has been in the middle of all the action. Ray is a veteran Houston lawyer, having worked in the city since the 1960s. Since he left Houston-based

Andrews Kurth LLP to open McKool Smith's Houston office, its eighth globally, has grown to become the largest bankruptcy law firm in the city with 15 bankruptcy-specific lawyers. The Houston Business Journal talked to Ray about growing the firm, working with his son and what it was like being a young U.S. assistant attorney in Houston:

How's business been?

I started the firm here five years ago. (Nationwide, our firm) has grown from about 50 lawyers to 185 in that time.

We only do litigation – bankruptcy litigation, international litigation. I brought that over from Andrews Kurth, where I was on the policy committee for years. But (this new firm) needed someone to manage this office. We've hired some very good litigators, and we've been very successful. Our timing was really good.

What made your timing so good?

After we came over, there was the implosion of the mortgage markets. So there was a lot of business. We had to hire people and use them in our other offices in New York, Los Angeles and Dallas.

We had very little work in Houston. We worked on (Virginia-based) Freddie Mac; we had a number of cases for them – (adverse to) Bank of America (based in North Carolina) and Deutsche Bank (based in Germany). Most of our cases are in New York or Delaware.

We're representing some oil producers suing Goldman Sachs (based in New York) and BP (based in London).

Any big cases you're working on now?

We have a major one that just started. We're representing (Pittsburgh-based) Alcoa Inc. against Energy Future Holdings Corp. (based in Dallas), one of the largest bankruptcies in history. Alcoa came to us for that. We're also representing Eastman Kodak (based in New York), and (working on an adverse case to) Excel Maritime (based in Bermuda).

What's the benefit of having an office in Houston?

We've got a national firm, so you won't see us all that often working in the Houston area.

We see a lot of talent available in the Texas market, particularly in Houston. They come here to work on capital gains tax cases and intellectual property litigation, primarily for the technology companies in the Eastern district.

There's a lot of firms that are moving into Houston, but they're primarily working for oil and gas transactional work. We're one of the largest pure litigation firms in the country. We don't do tax work. We don't write up mortgages.

Houston's a great town to recruit to. As a young lawyer here, they can get a home that they couldn't dream of in other parts of the country. A lack of zoning and low barriers make home ownership attainable for young professionals here in Houston. As soon as they come down here and see that, they're enamored with it. You can count on the people wanting to go to where their dollar goes the furthest. The biggest portion of people's budget is housing, so when you get more bang for your buck, it's a huge advantage for recruiting talent. They can have their dream much faster here than anywhere else.

What advice do you give the young lawyers moving here to work for you?

Well, I like to tell them to buy houses as soon as they can, while interest rates are low. Buying a home in Houston has been a good investment except for a couple times in history. We have a lot of new lawyers here, and it's been a good deal for them.

The best advice is to keep your eye on your practice and to stay up to date with new developments. Don't go into tremendous debt. Be careful about that side of things. A lot of times people come here and overspend.

“We’re having to recruit as fast as we litigate.”

HUGH RAY,
Principal at McKool Smith



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Where else are you seeing a lot of activity?

International litigation – we really have a niche there. We’ve been extremely busy. We’ve had to hire a lot to handle all of this. We basically tripled in a few years. We’re having to recruit as fast as we litigate.

Was managing that growth challenging?

I did it before at Andrews Kurth – when I left, there we were 400 (lawyers across the entire firm) after just a few years. So going from 50 to 185, I think I know a little about how to do that.

How does the economy affect your bankruptcy practice?

The interest rates affect our practice some. It’s about more than just having the economy move in the right direction. There are lots of parts (of the country) where people are still struggling to sell their homes. We just go where the business is.

You worked as the U.S. assistant attorney in Houston. Any big cases you worked on?

I went to Andrews Kurth from there, where I represented the federal government. I worked on a case that was the largest securities fraud of all time. It was a company called Westec Corp. that doesn’t exist anymore. It was a New York Stock Exchange company, and I did get to go to court to assist against some big criminal prosecutors. For a young lawyer, it was a great opportunity.

You work with your son, Hugh Ray III. How has it been working with him?

It’s been very interesting. He had his own clients and his own firm before coming to work for us. He seems to be

showing up for work. I thought it was a good idea to have him work here. It’s helpful to know what it is that he’s up to.

Houston’s on the upswing. What do you think the signs are for the economy eventually going sour here?

An adequate predictor of business failures is bonds and bank debt. The default rates on bonds and bank debt are at historic lows right now because of the interest rates.

At some point, you can look all the way back to 1987. It’s a cycle. We’re at an all-time low right now, but it just doesn’t stay there. If you believe in regression to the mean, there’s going to be a lot of problems at some point.

McKool Smith