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Stapled finance packages under scrutiny

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The use of stapled financing in merger and acquisition transactions, both in the US and in Europe, has increased over the last several years. As a result of recent legal developments in the US, however, both sell-side clients and financial institutions are rethinking their attitudes toward stapled financing and this could lead to changes in how and when stapled financing is offered.

In M&A parlance, stapled financing is a proposed financing package offered by the seller's financial adviser to substantially all bidders in an auction. Originally, the proposed terms of the financing package were usually distributed with (or stapled to) the offering memorandum distributed to bidders in the auction. The timing of distribution of the proposed stapled financing package varies based upon particular considerations in each auction. Stapled financing became noticeable in the US a number of years ago, when well-capitalized banks with experience in leveraged acquisition lending sought to use their balance sheet strength to win mandates to act as financial advisers in sell-side auction assignments. The marketing message from banks/potential financial advisers to potential sell-side clients was as simple as "retain us, and we will facilitate the auction by offering stapled financing". The banks/potential financial advisers argued that the availability of a stapled financing package would assure potential private equity sponsor acquirers that the transaction could be financed and so encourage the sponsors to participate in the auctions. The stapled financing product was also pursued by banks that wished to increase their exposure to the leveraged acquisition lending market by offering

financing to large private equity sponsors competing in auctions.

While no reliable statistics are available, the US market perception is that few stapled financing packages are used by successful bidders in auctions. Equally, there is no evidence that the offering of a stapled financing package facilitates more aggressive bidding in auctions, at least by large private equity sponsors. There is some anecdotal evidence that the availability of a stapled financing package in an auction might encourage more aggressive bidding by strategic buyers in auctions, as the presence of a stapled financing package could cause a strategic buyer to regard competition from private equity sponsors as more credible. There is also strong anecdotal evidence that the offering of a proposed financing package by the seller's financial adviser acts as a price-signalling mechanism in the auction. A sophisticated private equity sponsor competing in an auction with a stapled financing package should be able to reverse engineer from the stapled financing package (in particular, the ratio of debt to Ebitda) to derive the estimate of the seller's financial adviser as to the price that could be paid by a private equity sponsor for the business being auctioned. This price-signalling effect could be reducing the variability of bids submitted in auctions by private equity sponsors and causing private equity sponsors not to bid in situations in which their proposed bid would be below the price level signalled by the stapled financing package.

Stapled financing raises a number of legal issues for the seller and for its financial adviser/stapled financing source. Most of these issues revolve around broad concepts of conflict of interest. First, the seller's financial adviser will be deriving additional compensation from the transaction as a buy-side financing source; this may be viewed as providing an inappropriate incentive on the part of the seller's financial adviser to recommend a transaction. Traditionally, however, this has not been a practical concern. Most financial advisers with sell-side mandates are compen-

sated on a contingent basis anyway, so the financial adviser always has an incentive to recommend the seller withdraw the property from sale. At least in the US, courts have consistently approved the use by sellers of contingent fees for sell-side financial advisers on the grounds that such fees more properly align the interests of the adviser with those of the seller. The second concern arises from the fact that the seller's financial adviser is financing one bidder in an auction and so could receive greater compensation based upon who wins the auction regardless of the price. This could be seen to create the potential for conflict of interest on the part of the financial adviser with respect to the management of the auction process by motivating the financial adviser to favour one bidder over another. Once again, assuming that the fact of buy-side financing has been properly disclosed to the seller client, few sellers have been concerned by this potential conflict of interest in the average transaction. In most auctions, the question of who is the winning bidder is clear, and it is only in the rare situation that the advice of the seller's financial adviser will be material to the decision of the seller. A third issue is that of the perception of the bidders. In part in response to the concern discussed above, bidders have expressed concern that they have felt pressure to pursue the stapled financing package to ensure equal treatment in the auction.

Most of these concerns relate not to the offering by the seller's financial adviser of the stapled financing package but to the seller's financial adviser providing any financing at all. In the current market, with private equity sponsor M&A activity high and the number of banks willing and able to lend large amounts in leveraged acquisition financings more limited, the possibility of a commercial bank providing buy-side financing while also providing sell-side advice is quite high, even without stapled financing. By the middle of 2005, most sellers and their legal counsel had become comfortable with sell-side financial advisers offering their stapled financing pack-

age and ultimately providing financing to a select number of bidders in auction situations.

Then along came Toys “R” Us. In 2005, Toys “R” Us Inc, a US public company, conducted an extensive review of its strategic options and ultimately agreed to be acquired by a club of private equity sponsors led by Kohlberg Kravis Roberts & Co. In a legal challenge to this proposed acquisition, the public stockholders of Toys “R” Us made a variety of allegations, including a claim that the financial adviser to Toys “R” Us, Credit Suisse First Boston, suffered from a conflict of interest arising out of its possible role in financing the KKR-led group. During the auction process, CSFB raised the possibility of providing buy-side financing to potential bidders. The board of directors of Toys “R” Us rejected that possibility and insisted that CSFB not discuss potential financing with the KKR-led group, or any other bidder, before approval of the merger. After approval of the merger and execution of a merger agreement between the KKR-led group and Toys “R” Us, CSFB again sought permission to finance the KKR-led group. In response to this second request, the board of directors of Toys “R” Us agreed.

The Delaware Court characterized this set of facts as “unfortunate” in that the Court believed these facts raised the possible perception that CSFB’s advice to the seller throughout the auction process was tainted by a desire on the part of CSFB to obtain additional fees from financing the successful bidder. The Court ultimately held that, notwithstanding the appearance of conflict raised by CSFB’s requests for permission to finance potential bidders and the fact that CSFB ultimately did provide financing to the successful bidder, the advice of CSFB was not in fact motivated by the desire to generate additional fees from providing buy-side financing. In doing so, however, the Court made the following statement:

“By stating this, I do not want to be perceived as making a brightline statement. One can imagine a process when a board decides to sell an entire division or the whole company... when roles on both sides [sell-side adviser and buy-side financing source] for the investment banker would be wholly consistent with the best interest of the primary client company [the seller]. In general, however, it is advisable that investment banks representing sellers not create the appearance that they desire buy-side work, especially when it might be that they are more likely to be selected by some buyers for that lucrative role than by others.”

The Toys “R” Us board of directors received fairness opinions from CSFB and also from Duff & Phelps, and there was no

claim that Duff & Phelps lacked independence. The challenge to CSFB, and the Court’s observations, were directed solely to the possibility that CSFB’s conflict of interest would have tainted its advice with respect to the conduct of the auction. Toys “R” Us also involved a difficult judgment as to the conduct of the auction – whether to reopen broadly the auction process in response to a decision by the board late in the process to sell the entire company rather than just a major division.

These judicial observations led to an immediate and extensive review by US investment banks and their counsel, and sellers and their counsel, of the propriety of what had become conventional stapled financing arrangements. Some commentators suggested that the Toys “R” Us decision would lead to the complete demise of stapled financing, as well as the end of the practice of sell-side advisers providing any buy-side financing outside the stapled financing context. As time has passed, however, cooler heads appear to have prevailed, and it now seems the Toys “R” Us decision will result in fewer changes in stapled financing practice than had initially been feared.

First, as a practical matter in the stapled financing arena, US financial advisers and sellers (and their counsel) are reading the Toys “R” Us observations as limited to situations involving the sale of the entire company or at least to M&A transactions that are substantial relative to the size and sophistication of the seller. Anecdotal evidence suggests that now, in mid-2006, sellers and their financial advisers remain generally unconcerned about the use of stapled financing packages in small sell-side auction assignments. This seems to represent a sensible balancing of risk and reward. In a small sell-side auction, the seller will obviously be less dependent upon its financial adviser for advice with respect to selection among competing bids and with respect to the conduct of the auction, while the rewards to the seller from a properly conducted auction with aggressive bidding by private equity sponsors would seem enough to offset any risks.

Market practice in the US does not, however, seem to be consistent with respect to the availability of stapled financing, or of any other form of buy-side financing, in situations directly analogous to Toys “R” Us: the sale of the entire company. Boards of directors of target companies remain justifiably concerned about the comments in the Toys “R” Us decision. One point from the Toys “R” Us decision, as discussed above, was that the challenge related to the conduct of the auction and not merely to the fairness of the final consideration price. For this reason, it is

difficult for boards of directors of target companies (and their counsel) to feel comfortable that any conflict of interest created through the sell-side adviser also providing buy-side financing can be solved with a second opinion from another, independent financial adviser. It would, in theory, be acceptable for the target board to have two advisers equally involved in the auction process, but this is a difficult arrangement in practice and it is also difficult to justify the additional cost and transaction complexity for the questionable benefit to the seller of the availability of the stapled financing package. An additional factor in the US is the increasing scrutiny of the independence of directors and their advisers in considering and approving M&A transactions that raise the spectre of a management conflict of interest (such as a leveraged buyout with ongoing management participation). Because any decision by the target board to approve the offer of a stapled financing package must occur at an early stage in the auction process, at a time when the board does not have insight into the likely outcome of that process, the target directors must remain conscious of the need to maintain the independence of their financial adviser and the integrity of the auction process.

The US banks now have policies with respect to stapled financing in the context of a sell-side assignment involving an entire public company. At least for the moment, it seems that conservatism on the part of boards of directors is setting the bar at a level that is not permitting sell-side advisers to provide buy-side financing, at least in the absence of a second investment bank on the sell-side that is fully involved in any auction process.

Capital markets – debt and equity

Recommended firms

Tier 1

Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Sullivan & Cromwell

Tier 2

Cravath Swaine & Moore
Latham & Watkins
Shearman & Sterling
Simpson Thacher & Bartlett
Skadden Arps Slate Meagher & Flom

Tier 3

Cahill Gordon & Reindel
Gibson Dunn & Crutcher
Sidley Austin
Weil Gotshal & Manges

Tier 4

Debevoise & Plimpton
Dewey Ballantine
Fried Frank Harris Shriver & Jacobson
Kirkland & Ellis
Mayer Brown
Milbank Tweed Hadley & McCloy
O'Melveny & Myers
Paul Weiss Rifkind Wharton & Garrison

Tier 5

Baker Botts
Jones Day
King & Spalding
Morrison & Foerster
Pillsbury Winthrop Shaw Pittman
Vinson & Elkins
White & Case
Wilson Sonsini Goodrich & Rosati

Several changes have been occurring in the US debt and equity markets over the past year. As globalization continues to influence every practice area, it is no stranger to debt and equity. There have been foreign issuers into US capital markets and steady initial public offerings (IPOs) occurring throughout.

On the back of these listings, private-equity fever is starting to infect the public markets. "Since money is flowing into private-equity hands," said a lawyer, "we continue seeing that as a big driving factor in the deals getting done and types of deals getting done." The most prominent IPO in the past year was when private-equity firm The Blackstone Group went public in June. Simpson Thacher & Bartlett represented the firm in the \$4.8 billion IPO, which was the largest private-equity initial offering and the largest listing the US has seen in many years. Another mentionable deal was the historic Fortress Investment Group's \$634

million IPO, which marked the first hedge fund to go public. Other private-equity firms have hinted that they too may go public, which will be a trend to watch.

Some think debt-and-equity hybrids are the way of the future. "They're evolving and have been rolling out a significant trend for a while," said a lawyer. The hybrid model effectively allows equity-style offerings to be treated as debt for tax purposes, an appealing prospect for investors.

This faith in market innovation is becoming more cautious lately – the recent turbulence due to uncertainties about American subprime mortgages has caused widespread soul-searching in the financial sector. But whatever they find inside themselves, the banks, and those who invest through them, will always have their other eye on the next big thing.

Cleary Gottlieb Steen & Hamilton

After a strong year in capital markets, Cleary Gottlieb Steen & Hamilton rises to the first tier this year. The firm was named *IFLR's* equity team of 2006 and is highly thought of for work both domestically and internationally. Its bench strength is clearly present as partners are virtually always referred to when speaking about the best in the market. "Alan Beller is back and is just terrific," said a peer. Another said: "Alan Beller from Cleary takes initiative. I'm a big fan of Alan." Beller returned to the firm after serving as director of the Division of Corporation Finance at the US Securities and Exchange Commission (SEC).

In 2006 alone, Cleary Gottlieb completed global equity offerings tallying \$70 billion, with 40 of them IPOs. In debt, it had a greater volume of \$196 billion debt offerings. In equity matters, the firm represented Goldman Sachs, Citigroup Global Markets, HSBC Securities and JPMorgan Securities as underwriters to MasterCard's \$2.6 billion IPO, which was named *IFLR's* equity deal of the year in 2006. It was the biggest IPO in the US at the time since 2004. The firm also counselled the underwriter Citigroup Global Markets when Freedom Acquisition Holdings went public for \$528 million, in order to purchase other companies. Also, in the largest retail IPO, the firm acted for J.Crew Group in the \$430 million offering in July 2006. When asked about Cleary Gottlieb, a client said he thought the firm has a top-tier performance in equity matters.

"Cleary is a terrific firm, and it is exceptionally strong internationally," said a peer. In debt matters, the firm was involved in the largest bond offering in Latin America when it represented Companhia Vale do Rio Doce in the \$3.8 billion SEC-registered deal. Nicolas

Grabar acted as lead counsel and peers deem him as "very smart, effective, and knows his stuff". In international equity, the firm was lead counsel to Grupo Aeroportuario de Pacifico in Latin America's largest IPO of 2006. The \$962 million offering was also one of the largest Mexican privatizations in years.

The firm's other clients it has represented in the past year include a number of underwriters such as Lehman Brothers, UBS, Morgan Stanley and Deutsche Bank Securities.

Leading lawyers

Alan Beller
Lee Buchheit
William Gorin
Nicolas Grabar
Jeffrey Karpf
Wanda Olson
Leslie Silverman
Allan Sperling

Davis Polk & Wardwell

Known for its debtor-side counsel, Davis Polk & Wardwell is a designated tier-one firm. The practice focuses on big-ticket work, so is noted for its quality much more than its volume. Peers and clients consider John Brandow and Richard Sandler to be "first-rate", praising their wide knowledge of laws and regulations. In debt issuance, Davis Polk represented managers Lehman Brothers and Merrill Lynch in The Home Depot's \$5 billion debt offering in December in order to repurchase \$3 billion in shares.

In IPO work, Davis Polk partners advised managers Credit Suisse, Morgan Stanley, JPMorgan, Lehman Brothers and Jefferies & Company when Dice Holdings, a career website provider, went public for \$217 million. In Latin America, Davis Polk represented the underwriters in food producer Perdigo's \$374 million offering. One of the firm's strengths is in allowing companies in Latin America access to the international markets. "Manuel Garciadiaz has done lots of Latin American equity offerings," said a competitor. "I've been seeing him more and more and a niche expertise."

Other clients the firm has represented in the past year include Banc of America Securities, Wachovia Capital Markets and William Blair & Company. One client said: "It is a first-tier firm."

Leading lawyers

Sarah Beshar
John Brandow
Richard Drucker
Richard Sandler
Richard Truesdell
Charles Whitman

Sullivan & Cromwell

“The combination of experience and raw intellect makes Sullivan & Cromwell have unparalleled expertise, and they’re incredibly talented,” commented a client when asked about Sullivan & Cromwell. Other clients also reported an excellent performance in capital markets. The firm was named as *IFLR*’s debt and equity-linked team of 2006, for its success in the debt market.

In IPOs, Sullivan & Cromwell has acted for both issuers and underwriters. It represented Goldman Sachs and Bear Stearns as underwriters for the \$432 million J.Crew Group initial offering. The firm is known throughout the practice for its historic relationship with Goldman Sachs in capital markets. The NYSE Group offered secondary shares in May 2006 for \$1.8 billion, and Shearman & Sterling acted for underwriters JPMorgan, Lehman Brothers, Merrill Lynch and Morgan Stanley. On the issuer’s side, the firm acted for Vornado Realty Trust in its \$1.2 billion common shares offering last December. Some consider real-estate investment trusts (Reits) to be a rising trend in American markets. “There is an explosion of things, of exchangeable securities,” said a peer. “It is a more sophisticated capital markets by Reits.”

The firm is also active on the debt side, acting as underwriter’s counsel to JPMorgan and Lehman Brothers in the first instance of a home loan bank issuing debt on its own – the Federal Home Loan Bank of Chicago issued \$1 billion notes in June 2006. This was also the first time such an institution had issued subordinated debt. Sullivan & Cromwell furthered its relationship with Goldman Sachs, acting for the investment bank as well as Bear Stearns and Lehman Brothers in Embarq Corporation’s three debt offerings, totalling \$4.5 billion, which were related to its spin-off from Sprint.

Acting for mainly underwriters, the firm’s client list also highlights Wachovia Bank and Citigroup.

Leading lawyers

John Baumgardner
John Bostelman
Robert Buckholz
Robert Downes
David Harms
Scott Miller
Andrew Soussoff
Carlos Spinelli-Noseda
Mark Welshimer
William Williams

Cravath Swaine & Moore

Even though some consider Cravath Swaine & Moore to be more of a high-yield firm, it still has a strong bench that places it in a high ranking. Representing the underwriters in equity, Cravath acted for Credit Suisse, Goldman Sachs and Morgan Stanley in Spirit AeroSystem Holdings when it went public for \$1.7 billion last November. It also represented the same underwriters with the addition of JPMorgan in Warner Chilcott’s \$1 billion Nasdaq offering, which was backed by private-equity investors, a growing trend in the market.

“Kris Heinzelman is absolutely terrific,” said a competitor when asked about Cravath’s debt practice. Heinzelman led the firm in its involvement in Hewlett-Packard Company’s global \$2 billion debt offering. The firm acted for underwriters Citigroup, Deutsche Bank Securities and JPMorgan. Additionally, Cravath acted for the same underwriters in another \$2 billion offering, for aluminium producer Alcoa, last January. The offering was meant to lower the company’s commercial paper balance. One instance where the firm acted for issuers was pharmaceutical company Bristol-Myers Squibb’s issuance of \$1.25 billion of debt in November.

Leading lawyers

Stephen Burns
Kris Heinzelman
Andrew Pitts
William Whelan

Latham & Watkins

Latham & Watkins is recognized throughout the practice as a solid underwriters’ counsel in both debt and equity matters. The firm is a clear high-yield player, which some partners from other firms think is a stronger area for the firm, although one disagreed: “They have a well-rounded capital markets practice, with Marc Jaffe.” Jaffe and Kirk Davenport were the obvious selected partners in the firm by both peers and clients. In debt, the firm acted for JPMorgan as the underwriter in Costco Wholesale Corporation’s two senior note offerings which totalled \$2 billion. Davenport led the underwriter’s counsel for Goldman Sachs when EMC Corporation issued two note offerings each of \$1.75 billion, intended to help the company repay its \$2.2 billion credit facility. One client recommended Davenport as one of the best at the firm.

Latham & Watkins’ equity practice includes Douglas Emmett Company’s \$1.6 billion IPO, where the firm represented underwriters Merrill Lynch. This deal marks another trend in the Reit market. In a chance to represent an issuer, the firm counselled

Health Care Property Investors with its \$1 billion stock offering on the NYSE. “Latham is very good and does a great job,” said a competitor. “They came into the New York space and do as well as they do.”

“Latham & Watkins has good client skills,” said a client of the firm, which touts Bear Stearns, Credit Suisse and Lehman Brothers as a few of its long-standing clients.

Leading lawyers

Kirk Davenport
Thomas Dobson
Tracy Edmonson
Marc Jaffe
Raymond Lin

Shearman & Sterling

“I’m thrilled with their level of service, knowledge and expertise,” said a client of Shearman & Sterling. The firm has had a respectable year in both debt and equity. Robert Evans and Stephen Gieve co-head the firm’s capital markets department. “Rob Evans is well regarded and talented,” said a peer. “He’s been doing different types of capital markets transactions over a long period.” The firm boasts a strong Latin American practice which shows in its most recent work. Antonia Stolper advised Citigroup and Accival in Grupo Aeroportuario del Centro Norte’s \$376 million IPO, which is one of the largest IPOs in Mexico this year and the first privatization in Latin America for Nasdaq. Shearman & Sterling clients were pleased with the firm’s lawyers’ performance. “They are extremely diligent, especially Antonia Stolper,” said a client. In another IPO, Shearman & Sterling’s San Francisco office represented Credit Suisse in First Solar’s \$459 million IPO, based on the increased interest in solar energy.

Shearman & Sterling is more regarded for its debt side and represented a number of issuers and underwriters in debt offerings. It acted as CIT Group’s counsel in its five offerings, which totalled \$6.5 billion. In addition the firm acted as underwriter’s counsel for its long-standing client Ford Motor Company and Ford Motor Credit Company in the largest convertible notes offering to date. The firm acted for underwriters Morgan Stanley, Citigroup Global Markets, UBS Securities, BNP Paribas Securities and Barclays Capital for the \$5 billion deal, which was part of a much larger \$11.5 billion total of the five combined debt offerings. The firm has a long-lasting relationship with Ford, first counselling it in its IPO in 1956.

Clients continually recommended Shearman & Sterling in debt and equity. “I work with Rohan Weerasinghe, and he’s very helpful,” said a client. Another said: “I would

put them close to the top of my list.” Other clients the firm has represented include Viacom, Merrill Lynch and BE Aerospace.

Leading lawyers

Robert Evans
Stephen Giove
Joel Klaperman
Andrew Schleider
Rohan Weerasinghe
John Wilson

Skadden Arps Slate Meagher & Flom

Skadden Arps Slate Meagher & Flom is involved in representing underwriters in the largest private equity IPO to date. The firm counselled Morgan Stanley and Citigroup Global Markets in The Blackstone Group's \$4.8 billion landmark IPO. In another significant deal, Skadden lawyers represented Douglass Emmett in the largest Reit offering of \$1.6 billion.

Skadden partner Phyllis Korff has an outstanding reputation in debt and equity and was continually mentioned when peers spoke about Skadden. One said: “Phyllis is an A-plus lawyer. She may be the best.” Another admired her work advising underwriters.

In a hybrid offering, the firm represented The Stanley Works in its \$330 million equity and note offering. The deal also had an offering of \$200 million notes. These were used to finance the company's acquisition of HSM Electronic Protection Services.

Other clients the firm has represented in the past year include Credit Suisse, Morgan Stanley and Rite Aid Corporation. One client was particularly pleased with the firm, praising the professionalism of its lawyers.

Leading lawyers

Gregory Fericola
David Goldschmidt
Stacy Kanter
Phyllis Korff
Matthew Mallow
Gregg Noel
Nick Saggese
Susan Sutherland

Gibson Dunn & Crutcher

Gibson Dunn & Crutcher retains its spot this year and added two new partners to its debt and equity practice. William Candelaria joined the firm from Mayer Brown in February and Keith Biancamano transferred from Fulbright & Jaworski in March. In equity, the firm represented a number of issuers in their common-stock and initial offerings. The firm advised Atmos Energy Corporation

when it publicly issued \$200 million shares. It also counselled Oil Insurance with its \$600 million Rule 144A offering.

In the past year, Gibson Dunn has advised underwriters such as Bear Stearns, Citigroup, Bank of America, Goldman Sachs, Barclays, UBS, JPMorgan and Morgan Stanley in 16 deals which totalled more than \$34 billion. In a substantial offering of \$1 billion of subordinated convertible debentures, Gibson Dunn represented the issuer, Xilinx, which hopes to use this offering to buy back shares. Some of Gibson Dunn's other clients in debt and equity include Wachovia Bank, Wells Fargo & Company and Friedman Billings.

Leading lawyers

Steven Finley
Steven Guynn
Kevin Kelley
Stewart McDowell
Richard Russo
Douglas Smith

Sidley Austin

Sidley Austin remains active in debt and equity acting for issuers with offerings in both categories totalling \$374 billion in the past year. The firm represented Great Plains Energy in \$193 million public share offerings, which were used to pay capital to its subsidiary Kansas City Power & Light. The firm was also busy representing various underwriters in the past year. In Fortress Investment Group's \$634 million IPO, Sidley Austin acted for underwriters Goldman Sachs and Lehman Brothers. This historic deal is the first time a hedge fund has completed an IPO.

The firm has a reputation in representing underwriters on a number of debt offerings. The San Francisco office advised underwriters Deutsche Bank, Merrill Lynch, Citigroup and UBS in Walt Disney Company's international \$1.5 billion offering of notes. “I've had very positive experiences with them,” said a client. “They have excellent real estate and corporate practices.”

Leading lawyers

Joseph Armbrust
Kenneth Cote
Scott Freeman
Kevin Hochberg
Jack Kantrowitz
Cathy Kaplan
Renwick Martin
William Massey
Gerald McGovern
Joseph McLaughlin
Norman Slonaker

Weil Gotshal & Manges

Weil Gotshal & Manges tends to get noticed for its insolvency practice, but the firm remains a competitor in various equity deals. “They know their business,” said a client when asked about the firm's lawyers. “They bring added value and good experience.” In the \$641 million Genesis Funding and Genesis Lease IPO, Weil Gotshal acted for the issuer, which concurrently securitized its assets. This deal is rare in that both components happened at the same time. Department head David Lefkowitz acted on the transaction, who one client said “brings pragmatism to a deal”. Acting in another issuer's counsel, Weil Gotshal partner Alexander Lynch represented NewStar Financial when it went public for \$235 million in December. The initial offering helped the company to pay substantial secured notes. “Alex has very strong knowledge and ability,” said a client.

Weil Gotshal represented the underwriters when Hertz Global Holdings went public to pay off existing debt. The \$1.3 billion deal involved advising underwriters Goldman Sachs, Lehman Brothers, Merrill Lynch, JPMorgan, Morgan Stanley, Credit Suisse, UBS Investment Bank and Wachovia Securities. To add to its list of underwriters and issuers, Weil Gotshal has also represented General Electric Company and Citigroup.

Leading lawyers

Matthew Bloch
David Lefkowitz
Alexander Lynch
Rod Miller

Debevoise & Plimpton

With over 70 lawyers working in its capital markets practice worldwide, Debevoise & Plimpton has had a respectable year in debt and equity. Clients are particularly happy with the firm's performance with one long-standing client saying: “I expect all partners to be really good, and it's amazing how mature and smart they are, and the associates are all excellent also.”

Debevoise was involved in a number of equity offerings in the past year. It acted for underwriter Morgan Stanley in Employers' Insurance Group's \$523 million IPO. In issuers counsel, the firm advised Hertz Global Holdings when it went public for \$1.3 billion. When asked about the firm's lawyers, one client commented: “Maybe it's just the people that they put on our stuff, but without exception, they are impressive.”

In debt, Debevoise partners acted for underwriters JPMorgan, BNP Paribas and Calyon in Artémis's \$900 million convertible

bond offering. In other offerings in the past year, the firm has acted for both issuers and underwriters including The Hartford Financial Services Group, Credit Suisse, Goldman Sachs and AMR Corporation. “They make us feel we’re a special client,” said one client.

Leading lawyers

Matthew Kaplan
Peter Loughran
Alan Paley
Steven Slutzky

Other notable firms

Fried Frank Harris Shriver & Jacobson’s debt and equity department head Valerie Ford Jacob has been present on a number of offerings in the last year. In debt, she acted for Federal Home Bank of Chicago in its \$1 billion debt offering, which is said to be the first time a federal home bank has issued subordinated debt. When Burger King Holdings had its \$425 million first public offering in May 2006, Fried Frank represented the selling stockholders Goldman Sachs Capital Partners, Bain Capital Partners, and Texas Pacific Group. The company continued its counsel to investors in the secondary offering eight months later. One client said: “They have a good personal touch.”

Kirkland & Ellis is known for its private-equity practice, but is still active on the public side. In equity, the firm represented Solera Holdings in its \$460 million IPO and additionally Clearwire Corporation and Innophos Holdings in their IPOs, each at around \$500 million. When News America issued \$1 billion senior notes, the firm acted for underwriters JPMorgan Securities.

Although it’s most recognized as a leader in structured finance, **Mayer Brown** remains in the debt and equity practice. The firm was involved in FCStone Group’s \$145 million IPO by representing managers BMO Capital Markets and Banc of America Securities, which was the first time BMO was lead manager in a deal. In debt, the firm represented GMAC in its first unsecured bond offering of \$1 billion since a portion of its interest was sold to Cerberus.

Paul Weiss Rifkind Wharton & Garrison has a noticeable international presence. In equity offerings, the firm represented Japan Airlines Corporation when it offered ¥158.3 billion (\$1.35 billion) globally with a Rule 144A US offering.

Baker Botts has a respected reputation in the equity market in Texas with one peer saying: “If I had to hire someone in Texas, I’d hire them.” Recognized for its work in energy, Baker Botts represented Halliburton

Company’s subsidiary KBR in two deals. The first was its IPO of \$550 million, and secondly when the company exchanged common shares with Halliburton for \$2.75 billion. In the second-largest technology IPO, Baker Botts represented MetroPCS Communications in its \$1.2 billion listing.

King & Spalding has a solid reputation for doing geographic-based work. The firm was involved in equity offerings, such as AFC Enterprises’ \$48 million secondary offering. In debt, the firm counselled communications provider Embarq with its offering of \$4.5 billion senior notes. Embarq is a spin-off of Sprint Nextel. The firm also acted for The Home Depot in its large \$4 billion senior note offering. In other capital markets matters the firm has represented Citigroup Global Markets, Chattem and Banc of America Securities.

Morrison & Foerster has a reputation for strong client relationships. When asked about the firm, one client said: “It has market knowledge, quality of legal advice and responsiveness.” Department head James Tanenbaum stood out to clients who described his work as innovative. Tanenbaum worked for Bank of America as underwriters counsel on several debt offerings totalling \$45 billion. In equity the firm represented JMP Group in its \$115 IPO. Other clients the firm has represented include Capital One Financial Corporation, Lehman Brothers, BioMimetic Therapeutics and Deutsche Bank.

White & Case is building its capital markets practice and hired Gary Kashar from Latham & Watkins last May. The firm represented Grupo Aeroportuario del Centro Norte in its \$376 million offering, which makes the company the only Mexican issuer on Nasdaq in 2006. Acting again for the issuer, White & Case represented WellPoint Health Networks in its \$1.5 billion debt offering.

Wilson Sonsini Goodrich & Rosati is recognized for its representation in technology companies’ offerings. The firm acted in the \$1.6 billion secondary offering of Infosys Technologies, closing in November. As another issuer’s counsel, the firm acted for Aruba Networks when it went public for \$88 million in March. The firm has represented several other issuers in the past year such as Chemoil Energy.

Capital markets – high-yield debt

Recommended firms

Tier 1

Cahill Gordon & Reindel

Tier 2

Cravath Swaine & Moore
Latham & Watkins
Shearman & Sterling
Simpson Thacher & Bartlett

Tier 3

Skadden Arps Slate Meagher & Flom
Weil Gotshal & Manges

Tier 4

Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Fried Frank Harris Shriver & Jacobson
Gibson Dunn & Crutcher
Kirkland & Ellis
Sullivan & Cromwell
White & Case

Tier 5

Baker Botts
Mayer Brown
Paul Weiss Rifkind Wharton & Garrison
Vinson & Elkins

The US high-yield market has grown extremely concentrated, as a result of companies’ preference for banking deals, due to high liquidity in the sector, over high-yield deals. This is also a reason why the banking market is beginning to resemble securities. “There’s less risk and you don’t have the SEC involved,” said a partner. Others think that the attraction is the bank market’s new obsession with covenant-lite loans.

One lawyer said: “When you’re dealing with acquisition finance, in any small deal, a billion or less, very few have high-yield components. They do all banking.”

Since the high-yield market is so concentrated, the deals that do get done are much larger. 2006 and 2007 have experienced some of the biggest deals in many years.

Some in the market point to another trend: “PIK [payment-in-kind] toggle notes are all the rage,” said a partner. Since these instruments give the borrower the option of paying interest by issuing more bonds, they are a good option in terms of flexibility. The future of high-yield debt, with its current path in concentration, will be interesting to watch as the next year develops and the market decides which firms will emerge as clear leaders in the practice.

Cahill Gordon & Reindel

“Cahill is a notch above everybody else,” said a partner from another firm when asked about the market. Virtually all peers agree that Cahill Gordon & Reindel does a large portion of the market share and the biggest dollar amount in 2006. Its lawyers are continually suggested as being some of the industry’s best.

“Cahill is in its own category. They do high-profile deals and have Bill Harnett,” said a competitor. One competitor said that William Hartnett is “in his own league”, while another said: “He’s been doing it forever. He’s the big cheese there.” Hartnett represented purchasers Lehman Brothers, Credit Suisse Securities, UBS Securities, Citigroup and Deutsche Bank in the \$1.4 billion bond financing in order for The Blackstone Group to make the \$3 billion Travelport acquisition.

Cahill has also had a part in the trend for toggle notes. Its partners represented purchasers Citigroup, Banc of America Securities, JPMorgan, Merrill Lynch, Deutsche Bank and Wachovia Securities in healthcare services provider HCA’s offering of several senior secured notes and toggle notes, totalling \$5.7 billion. This transaction helped to finance the \$33.5 billion of equity interests, which was subsequently acquired by private-equity companies Bain Capital Partners, Kohlberg Kravis Roberts (KKR) and Merrill Lynch Global Private Equity.

Cahill has done many other high-yield transactions in the past year, and some of its other clients include Morgan Stanley, ING, ABN Amro and Goldman Sachs. Peers and clients also admired James Clark, Jonathan Schaffzin and Gerald Tanenbaum for their work. “Tanenbaum is a huge part of the corporate practice,” said one.

Leading lawyers

James Clark
William Hartnett
Douglas Horowitz
Jonathan Schaffzin
Gerald Tanenbaum
Daniel Zubkoff

Cravath Swaine & Moore

Virtually all of Cravath Swaine & Moore’s top partners were recommended by peers as leaders in the high-yield industry. “Kris Heinzelman at Cravath is in his own league,” said a competitor, while another one said he “clearly knows his stuff”. Heinzelman, along with ElizabethAnn Eisen and William Whelan worked for Credit Suisse and Citigroup in a \$6 billion Rule 144 and Regulation S debt offering in order to finance Firestone Acquisition Corporation’s purchase of Freescale Semiconductor, which merged with

The Blackstone Group, The Carlyle Group, Permira and Texas Pacific Group. At the time of writing, the acquisition didn’t prove as successful as it could have been as Blackstone reported losses.

The firm also acted for Lehman Brothers and Banc of America Securities as the initial purchasers in the \$1.5 billion Rule 144 and Regulation S debt offering for TRW Automotive in order for the automotive safety company to recapitalize its debt.

“Cravath is higher on the underwriter’s side,” said a partner from another firm. The firm acted for JPMorgan and Merrill Lynch in Freeport-McMoRan Copper & Gold’s \$6 billion high-yield senior debt offering, one of the largest since the eighties. William Fogg, who one peer called “a very good guy”, led the transaction. The firm’s other high-yield debt clients include a number of underwriters and issuers, such as The Reader’s Digest Association.

Leading lawyers

Stephen Burns
ElizabethAnn Eisen
William Fogg
Kris Heinzelman
William Whelan

Latham & Watkins

Latham & Watkins is a definitive driver in the high-yield market and remains highly ranked due to peer recommendations and activity. In 2006, the firm acted on \$42 billion high-yield debt globally. One client said: “It has very good lawyers, nice people that are hard working.” Marc Jaffe stood out as a leading lawyer among clients, and firms agree he is a major player along with the firm’s high-yield superstar Kirk Davenport. One partner said: “Kirk Davenport is king of the hill.”

Davenport acted on a number of deals in the past year, representing the underwriters. He counselled Goldman Sachs in the \$1.1 billion 144A and Regulation S high-yield offering of senior notes by Hawker Beechcraft Acquisition Company and Hawker Beechcraft Notes Company in March. He also was lead counsel to Morgan Stanley as one of the underwriters of the \$1.1 billion high-yield junk bond offering by New Jersey power producer NRG Energy.

In issuer work, Latham & Watkins acted for Georgia Pacific Corporation in its \$1.3 billion issuance of high-yield guaranteed notes last December. Acting for both issuers and underwriters, the firm has represented The Bear Stearns Companies, Lehman Brothers and Allied Waste, along with many others. “To this day, the 800-pound gorilla on the underwriters’ side in high-yield is Latham & Watkins,” said a peer.

Leading lawyers

Kirk Davenport
Thomas Dobson
Tracy Edmonson
Marc Jaffe
Peter Labonski
Dennis Lamont
Jonathan Rod

Shearman & Sterling

Shearman & Sterling remains in the high-yield game for another year with a reputation for representing Morgan Stanley and other globally active underwriters and arrangers on transactions. Robert Evans and Stephen Giove head of the group, which has a loyal client following. While some peers question the firm’s standing, others are impressed by its workload. “Shearman, they do a fair amount of work,” said a peer.

In order to finance the \$14 billion purchase of Univision Communications, Umbrella Acquisition offered \$1.5 billion senior high-yield PIK notes, continuing with the trend in that form of offering. Shearman & Sterling acted for the underwriters Credit Suisse Securities, Banc of America Securities, Deutsche Bank Securities, Lehman Brothers, Greenwich Capital Markets and Wachovia Capital Markets.

Another offering to finance an acquisition involved the firm counselling the managers, Banc of America Securities and Credit Suisse Securities, in Encore Medical Finance’s offering of \$200 million Rule 144A and Regulation S high-yield notes, for its acquisition by The Blackstone Group. To add to its client roster, Shearman & Sterling has also represented JPMorgan in the past year.

Leading lawyers

Bruce Czachor
Robert Evans
Stephen Giove
Joel Klaperman
Jason Lehner
Andrew Schleider
James Scott
Rohan Weerasinghe
John Wilson

Skadden Arps Slate Meagher & Flom

“It’s actually doing a strong state of business,” said a peer when asked about Skadden Arps Slate Meagher & Flom. Matthew Mallow is the head of the high-yield department, which is known for its work on the issuer’s side. The firm acted for Rite Aid Corporation when it issued \$2.2 billion of high-yield notes in order to buy Brooks and Eckerd stores for \$3.4 bil-

lion, creating the largest drugstore chain on the East Coast. “People are using it for high-yield deals because of its strong M&A practice and corporate relationships,” said a competitor.

Competitors and clients consistently recommended partners Richard Aftanas and Phyllis Korff as clear leaders in the practice, and one deemed Korff “the best”. Richard Aftanas also comes in for praise. Aftanas represented energy company Reliant Resources when it sold \$1.3 billion in high-yield bonds to recover from a restructuring.

Other clients the firm has represented in the past year include a number of issuers and underwriters such as Lehman Brothers, UBS, Credit Suisse, Morgan Stanley and The Stanley Works. “They are a grind-it-out shop,” said a client.

Leading lawyers

Richard Aftanas
Gregory Fernicola
David Goldschmidt
Stacy Kanter
Phyllis Korff
Matthew Mallow
Nick Saggese
Susan Sutherland

Weil Gotshal & Manges

Weil Gotshal & Manges is noted by competitors for doing a successful job at representing Citigroup and Lehman Brothers as underwriters on a number of transactions. David Lefkowitz is the partner most recommended as spearheading the firm’s practice. The firm acted for Citigroup as underwriters in Lear Corporation’s \$900 million senior notes offering last November. The proceeds were used in the pre-pay to repurchase notes under a tender offer. The firm also counselled Lehman Brothers in Pilgrim’s Pride Corporation’s \$700 million notes offerings.

In financing acquisitions, Weil Gotshal & Manges acted for a consortium of Madison Dearborn Partners, Providence Equity Partners, Saban Capital Group, Texas Pacific Group, and Thomas H Lee Partners in Univision’s \$1.5 billion offering, who used the funds towards purchasing Univision Communications for \$13.7 billion. With additional financing deals, the firm counselled Citigroup Global Markets, Credit Suisse Securities and JPMorgan Securities in Citizens Communications’ \$1.2 billion offering in order for it to acquire Commonwealth Telephone Enterprises. In addition to these transactions, Weil Gotshal has also represented Goldman Sachs in the past year.

Leading lawyers

Matthew Bloch
Boris Dolgonos
David Lefkowitz
Rod Miller

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb Steen & Hamilton is considered a strong international and cross-border firm with 12 offices worldwide and has high-yield deals that stem from its expertise in the private-equity sector. When speaking about the partners at the firm, one competitor said: “Alan Beller is in his own league.” In offerings, the firm represented Nortel Networks Corporation in the large \$2 billion Regulation S and Rule 144A high-yield offering in June 2006.

Most of Cleary Gottlieb’s offering deals are cross-border, and the firm represented Mexican transportation company Grupo Senda in its \$200 million bond offering, and also a \$350 million exchange offer in order to obtain high-yield notes. It was also Credit Suisse’s counsel when it was the underwriter in Hipotecaria Su Casita’s first high-yield bond, a \$150 million Rule 144A and Regulation S offering. In other international deals, Cleary Gottlieb has acted for Transportadora de Gas del Norte and Grupo Iusacell.

Leading lawyers

Alan Beller
Allan Sperling
David Webb

Fried Frank Harris Shriver & Jacobson

Valerie Ford Jacob is the clear leading player in Fried Frank Harris Shriver & Jacobson’s high-yield debt practice. The firm is recognized for its relationship with Merrill Lynch, which it represented in a number of deals in the past year.

Fried Frank acted for Merrill Lynch along with Goldman Sachs, Citibank, UBS Investment Bank and KeyBanc Capital Markets in Noranda Aluminum Acquisition Corporation’s \$510 million senior floating-rate notes offering, which was used to finance its acquisition by Apollo Management. The firm also represented Merrill Lynch as underwriter’s counsel for the \$2 billion high-yield credit facility in Sally Beauty Company’s acquisition by Clayton Dubilier & Rice.

Fried Frank has many other clients aside from the Merrill Lynch relationship. Competitors say they see the firm from time to time representing issuers and underwriters such

as Banc of America and Navios Maritime Holdings in the past year.

Leading lawyers

Daniel Bursky
Valerie Ford Jacob
Stuart Gelfond
Michael Levitt

Kirkland & Ellis

Thanks to the reputation of its private-equity practice, peers are beginning to notice Kirkland & Ellis’ presence in high-yield debt. “It is good on the issuer’s side,” said a competitor. Dennis Myers acts for the high-yield department regarding private-equity matters. The firm has advised several issuers in the past year including Avis Group Holdings, Burlington Coat Factory, FTI Consulting, and Bain Capital. In two separate transactions, the firm represented entertainment services company Windstream Corporation on senior note offerings totalling more than \$2 billion, which will be used to pay its existing debt. When asked about the firm, one peer said: “It is a cut above.”

In a transaction featuring Hanesbrands’ \$500 million floating-rate senior note offering, the firm represented the company as issuer.

In acquisition financing, the firm counselled Bain Capital when it issued \$450 million senior notes and €250 million (\$343 million) senior subordinated notes in order to purchase Sensata Technologies from Texas Instruments for \$3 billion.

Leading lawyers

Joshua Korff
Dennis Myers
Gerald Nowak

Other notable firms

From an oil and gas perspective, **Baker Botts** is rated among the highest in Texas, representing both managers and issuers. The firm advised Lyondell Chemical Company in its issuance of senior secured notes, totalling \$1.6 billion. In addition, the firm counselled Pogo Producing Company with its \$450 million Rule 144A offering.

Gibson Dunn & Crutcher has advised a number of issuers in the past year including FleetPride Corporation and TerreStar Networks. The firm represented Charter Communications in its issuance of \$712 million of senior notes via a private placement. It also acts on the underwriters’ side, and advised Citigroup in MGM Mirage’s \$750 million senior notes offering, which will help the company under its current credit facility.

Despite its loss of five partners to White & Case, **Mayer Brown** has kept its presence in the

high-yield debt market. In Swift Transportation's senior secured floating- and fixed-rate notes offerings, totalling \$835 million, Mayer Brown acted for Morgan Stanley. The proceeds were used in Saint Corporation's acquisition of the company for \$2.6 billion last May.

With a solid reputation in private equity, **Paul Weiss Rifkind Wharton & Garrison** says that 90% of its work is advising issuers. The firm represented Clark American Corporation in its issuance of \$615 floating-rate notes, which was used to partially finance the \$1.7 billion acquisition of John H Harland Company, which was then renamed Harland Clarke Holdings Corporation.

Peers consider **Sullivan & Cromwell** to do a "decent amount of work" on the issuer's side. It represented Angiotech Pharmaceuticals in an effort to pay existing loan debt. The company offered \$325 million Regulation S and Rule 144A senior notes in December 2006. Jay Clayton, the co-head of the firm's high-yield department, was present on the transaction. Another co-head, Scott Miller, counselled EchoStar DBS Corporation on its issuance of \$500 million senior notes in October 2006.

Capital markets – structured finance and securitization

Recommended firms

Tier 1

Cadwalader Wickersham & Taft
Mayer Brown
McKee Nelson
Orrick Herrington & Sutcliffe
Sidley Austin
Skadden Arps Slate Meagher & Flom

Tier 2

Cleary Gottlieb Steen & Hamilton
Simpson Thacher & Bartlett
Thacher Proffitt & Wood

Tier 3

Dewey Ballantine
Weil Gotshal & Manges

Tier 4

Cravath Swaine & Moore
Dechert
Freshfields Bruckhaus Deringer
Latham & Watkins
Schulte Roth & Zabel
Stroock & Stroock & Lavan

Tier 5

Kirkland & Ellis
Milbank Tweed Hadley & McCloy
O'Melveny & Myers
Shearman & Sterling
White & Case

One of the most noticeable trends in the US structured finance and securitization market is the growth of collateralized debt obligations (CDOs). "CDO was growing, and then there was a bit of a hiccup with subprime, but now it's back on track with growth," said a lawyer. Others are sceptical that the growth progress will continue, given the jitters in Wall Street at the time of writing, with many investors selling up stock over fears of a subprime mortgage-driven crash.

But optimism – regardless of whether it turns out to be naïve or stoical – remains the norm. "The growth is phenomenal," said one lawyer, adding a caveat: "It's hard to believe the rate will continue." In many of the structured finance and securitization deals, the use of synthetics is a growing trend. Pure cash-flow transactions are facing extinction, as nearly all deals have some synthetic component.

As M&A swells the market and places its impact on other areas, securitization has begun to influence the financing of these acquisitions. And the influence of structured finance is even wider than that: "Project finance and structured finance emergence is a likely trend," said a lawyer. "It will be a slow development but has significant potential."

Such mutual influence inevitably leads to synergies, with one or more areas coming together to create hybrid forms of financing. In particular, private-equity interests are being combined with asset-backed securities as collateral. And the blurring of boundaries is geographical too – as the markets in all practice areas globalize, there is a sense that more cross-border work will emerge.

Cadwalader Wickersham & Taft

Cadwalader Wickersham & Taft is clearly a leading law firm in structured finance with its broad CDO practice. The firm won *IFLR's* award in 2006 for the structured finance and securitization team of the year. Its lawyers have won the respect of peers and clients who agree on the firm's reputation and quality of work. "At Cadwalader, Anna Glick is top-flight," said a peer. Glick and Michael Gambro led the firm in counselling RBS Greenwich Capital and Goldman Sachs in their securitization programme, each taking turns as the issuer. The programme was worth \$11.8 billion in 2006 and is going into its 10th deal.

As structured finance is placing its influence in acquisition financing, Cadwalader partners represented insurer Ambac Assurance Corporation in the landmark Dunkin' Donuts \$1.7 billion securitization, which is the closest a company has come to a full-business securitization in the US.

Internationally, Cadwalader acted for Wachovia Securities in Marquette's \$152 million and €123 million collateralized loan obligation (CLO) programme in July 2006. The firm has represented a number of other clients in the past year, such as Credit Suisse First Boston Mortgage Securities Corporation.

Leading lawyers

Michael Gambro
Karsten Giesecke
Anna Glick
Robert Link
Richard Schetman
Jordan Schwartz

Mayer Brown

Known for its large Chicago practice and its work in conduits, Mayer Brown has a tier one structured finance practice. Even though some peers don't consider the firm to be traditionally big in CDOs, its growing practice completed CDO transactions worth \$22 billion in 2006. It also worked on a number of the biggest deals of last year. It represented arrangers Credit Suisse Securities and Banc of America Securities when Nelnet issued the first single-seller extendable note conduit that was backed by student loans. The \$5 billion conduit lessened a third party and its liquidity and was also the first asset-backed commercial paper student loan, even without the added liquidity.

With the Mayer Brown's new Hong Kong office which opened in January, the firm is seeing more activity in the global market. In an international deal, Turkish bank Yapi ve Kredi Bankasi issued \$1.2 billion diversified payment rights (DPRs) last December, creating the biggest global securitization to include a DPR issuance. The arrangers Standard Chartered Bank, Bayerische Hypo- und Vereinsbank and UniCredit Banca Mobiliare were represented by Mayer Brown partner James Patti.

Mayer Brown has some strong players in the structured finance market. Jon Van Gorp of the Chicago office received substantial praise from clients and competitors. Paul Jorissen is also a noted up-and-comer, along with Terry Schiff. One peer said: "Stuart Litwin is good on autos." Clients the firm has represented in structured finance matters in the past year include Lehman Brothers, Hudson Castle Group and Cohen & Company.

Leading lawyers

Mary Fontaine
 Carol Hitselberger
 Robert Hugi
 Jason Kravitt
 William Levy
 Stuart Litwin
 Warren Loui
 George Pecoulas
 Elizabeth Raymond

McKee Nelson

McKee Nelson has received overwhelming support from peers and has broadened its practice to place the firm in the top tier. The practice is known for its underwriter work and has partners that competitors consider to be among the leaders in deal volume and quality. With more than 100 securitization lawyers in its New York and Washington DC offices, competitors said that Larry Isaacson stands out as a “great CDO lawyer” and Edward De Sear with Scott Faga are “very good analytically, and solving problems in CDO”. Another peer said: “Bob Wiperman at McKee represents tons of underwriters. He is a very cool guy – easy to talk to, constructive and a good lawyer.”

McKee Nelson acted in the Tower Hill CDO by representing JPMorgan. This deal involved synthetics under the same management, but acted like separate CDOs. The firm was also influential in the Abacus program, which is a part of the popular trend for synthetics. McKee Nelson acted for Goldman Sachs in the programme, which allows the issuers to offer notes supported by asset-backed and residential mortgage-backed securities. McKee Nelson played a role in the \$500 million Costa Bella hybrid CDO. Embedded in the deal was a senior swap, payable when it matures.

The firm also acted as counsel to ABN Amro in the model Washington Mutual covered bond programme, which included two separate bond issuances totalling €4 billion. ABN Amro compensated the interest on covered bonds. In other cross-border work, the firm acted for BayView Financial in securitizing C\$124 million (\$118 million) commercial mortgage loans, which was the first instance in a US securitization where the loans were all Canadian. “They turn the deals out. It’s very impressive what they’ve done. I have the highest regard for them,” said a peer. The firm represents a long list of clients including investment banks such as Merrill Lynch and Bank of America.

Leading lawyers

Thomas Amico
 John Arnholz
 Reed Auerbach
 Michael Braun
 Edward De Sear
 Scott Faga
 Eugene Ferrer
 Edward Gainor
 William Gray
 Laurence Isaacson
 David Nirenberg
 Robert Wiperman

Orrick Herrington & Sutcliffe

Orrick Herrington & Sutcliffe has boosted its practice in the past year with a number of new hires, including three partners from Cadwalader Wickersham & Taft. The firm’s other partners are also admired in the industry, with one peer saying: “They are sensible people and easy to work with.” Katharine Crost and Joshua Raff were particularly widely praised for their competence in CDO issues.

Orrick’s mortgage-backed securitization practice acted for Bear Stearns in its \$5.2 billion pass-through certificates series and its Alt-A loans. Additionally, it helped Washington Mutual Capital Corporation with its \$3 billion pass-through certificates.

In other deals, the firm has represented Citigroup Global Markets and American Express.

Leading lawyers

Cameron Cowan
 Katharine Crost
 David Katz
 Mark Levie
 Douglas Madsen
 Dennis Martin
 Thomas Mitchell
 Joshua Raff
 Al Sawyers

Sidley Austin

Sidley Austin has made a name as one of the top drivers in the securitization and structured finance market. “At Sidley, there are a handful of partners that are all very good,” said a peer. The firm’s 200 structured finance partners extend through its global offices. Carlos Rodriguez of the New York office was one partner frequently mentioned, as well as Renwick Martin who one competitor deemed as “diverse and has been doing it for a long time but stays fresh. He doesn’t try to grandstand.” In a deal that won *IFLR*’s award for the securitization deal of the year in 2006, and set a global precedent, Sidley Austin repre-

sented Washington Mutual Bank in the first US covered bond programme. The initial offering was \$5.6 billion and welcomed the exchange of US and European investors into the other’s mortgage market.

In another notable deal, the firm represented Citigroup during General Motors Acceptance Corporation’s sale of interest to Cerberus Capital Management, Citigroup, Aozora Bank and an associate of PNC Bank. Citigroup helped to fund the acquisition by supplying collateralized and motor vehicle funding facilities totaling \$25 billion. Martin was present on this transaction. “He’s been around the business along time. He’s a pleasure to work with,” said a competitor. In other deals in the past year, Sidley Austin lawyers have represented Barclays Bank and Merrill Lynch Global Structured Finance & Investments Group, leading one rival to describe the firm as “a steamroller in securitization”.

Leading lawyers

Thomas Albrecht
 Thomas Brown
 Jack Costello
 Stephen Esko
 Edward Fine
 Arthur Hickok
 Kevin Hochberg
 Cathy Kaplan
 Dale Lum
 Renwick Martin
 Carlos Rodriguez

Skadden Arps Slate Meagher & Flom

Even though there are rumblings in the practice about the firm’s current standing, Skadden Arps Slate Meagher & Flom have been strong historically with solid partner recommendations. “Jim Stringfellow is the best person there. He’s one of the best. He’s smart and knows how to get things done,” said a peer. Andrew Faulkner was also cited as powerful in structured finance work relating to credit card receivables. Furthermore, Susan Curtis was said to be ahead in CDOs. Curtis worked on the \$254 million Kimberlite hybrid CDO, representing issuers and manager Blackrock Financial Management. The CDO involved the hybridization of synthetics and cash.

In order to pay off its debt, IHOP Corporation’s subsidiaries offered a \$200 million private securitization which included fixed-rate notes and a revolving credit facility. Other clients the firm has represented in the past year include Wirefree Partners and Stark Investments.

Leading lawyers

Susan Curtis
 Andrew Faulkner
 Richard Fortunato
 Richard Kadlick
 Thomas Kunz
 James Stringfellow

Clery Gottlieb Steen & Hamilton

Although structured finance and securitization is not a large driver in the firm, Clery Gottlieb Steen & Hamilton still retains consistent quality in its transactions. “Clery has made a decision to build a superb practice,” said a competitor. In addition to the leading lawyers, Joyce McCarthy in the Washington DC office stood out for one competitor. In one of the standout deals of the year, the firm acted for Interpublic Group in the use of structured finance with debt in order to issue liquidity-enhanced notes via a special-purpose vehicle together with a \$750 million credit facility to eliminate bank debt.

In the largest real-estate loan under a single asset, Clery Gottlieb partners acted for Goldman Sachs Mortgage Company to securitize a \$1.68 billion loan for Rockefeller Center, which also made it a historic deal as the biggest single-asset securitization in the US.

Clery Gottlieb is known for its international presence. With another large real-estate deal, the firm acted in the first securitization in Dubai with US investors. It helped to securitize \$350 million in real-estate contracts for Dubai’s Nakheel and Tamweel through SPV Emirates National Securitization Corporation.

The firm also represented Capital Dynamics in Astrea’s \$800 million collateralized fund obligation (CFO), which was rare since it was backed by private-equity funds.

Clery Gottlieb partners have represented both international and domestic clients including Istithmar, Morgan Stanley, Banc of America Securities, Citigroup Global Markets and Suzano Petroquímica.

Leading lawyers

Robin Bergen
 Raymond Check
 Mitchell Dupler
 Andrea Podolsky
 David Sugerman
 Michael Weinberger

Thacher Proffitt & Wood

Thacher Proffitt & Wood has created a strong reputation for its work in mortgages and mortgage-backed securities (MBS), as well as

asset-backed securities. “Thacher doesn’t have a CDO practice, but they are there on other things,” said a peer. In terms of quantity it was a leading practice on the issuer’s side in the beginning of 2007, with the greatest percent of market share and dollar volume. In mortgages, the firm acted for Barclays Capital in the \$570 million Terra LNR I deal, where mortgage loans acted to secure the transaction. The result was a rise in liquidity in the homebuilding industry.

In another mortgage-related transaction, the firm represented Mexican mortgage company Hipotecaria Su Casita when it securitized a deal using a senior-mezzanine structure. This \$110 million deal allowed the client access to high-yield assets. In other transactions, the firm has represented UBS, Deutsche Bank and Greenwich Capital.

Leading lawyers

James Cotins
 Richard Horowitz
 Stephen Kudenholdt
 Richard Simonds
 Robert Villani
 Stephen Whelan

Weil Gotshal & Manges

As CDOs pick up speed in the US, Weil Gotshal & Manges stays consistent with its work in that area. “Weil Gotshal has got a good practice,” said a peer. “Frank Nocco is running it there.” Another partner who received praise from clients and partners at other firms was Jason Smith, in particular for his work in vehicle-related receivables. The firm represented Morgan Stanley in the ACES synthetic CDO program.

“It has good people smart people,” said a partner from another firm. Weil Gotshal lawyers have recently represented clients including Stone Tower Capital and Credit Suisse.

Leading lawyers

Robert Chipperfield
 Daniel Mette
 Frank Nocco
 Eric Peterman
 Jason Smith

Cravath Swaine & Moore

“They have a depth of understanding that we’ve been pleased with,” said a client of Cravath Swaine & Moore. The firm’s structured finance and securitization practice is relatively small and is not the backbone of the firm, but it is still seen on a few deals. The firm represented Cincinnati Bell when PNC Bank managed its \$80 million securitization

of accounts receivable, which were sold into a special-purpose vehicle. It was also underwriters counsel to Citibank Credit Card Issuance Trust in 12 asset-backed offerings that totalled \$9.15 billion in 2006.

Peers also note Cravath’s work with Citigroup, and it has also represented The Hertz Corporation, Drug Royalty Corporation and GSO Capital Partners. Regarding conduits, one client said: “We’ve specialized expertise in this area, and it’s one of our major focuses. It’s also one of the firm’s major focuses.”

Leading lawyers

Stephen Burns
 Kevin Grehan
 Joel Herold
 David Mercado

Schulte Roth & Zabel

With over 40 attorneys in the structured products department, Schulte Roth & Zabel makes its way onto the rankings this year after showing consistency in transactions and peer and client admiration for the practice. The firm has completed a number of hybrid deals in the past year, capitalizing effectively on the increased activity in the CDO market. The firm acted for UBS Securities in ACA Aquarius’s \$2 billion CDO, which involved both cash and synthetics. In January, the firm counselled Merrill Lynch in the \$1.2 billion asset-backed securities CDO. Paul Watterson led the firm in this transaction, and was described by a partner at another firm as “smart and creative”. Schulte Roth has extensive experience in the CFO and CDO markets, and its clients include American Capital Access, Harding Advisory and Wachovia Securities.

Leading lawyers

Craig Stein
 Joseph Suh
 Paul Watterson

Bank lending

Recommended firms	
Tier 1	Cravath Swaine & Moore Latham & Watkins Simpson Thacher & Bartlett
Tier 2	Cahill Gordon & Reindel Davis Polk & Wardwell Shearman & Sterling White & Case
Tier 3	Cleary Gottlieb Steen & Hamilton Milbank Tweed Hadley & McCloy O'Melveny & Myers Skadden Arps Slate Meagher & Flom Sullivan & Cromwell Weil Gotshal & Manges
Tier 4	Bingham McCutchen Jones Day Sidley Austin
Tier 5	Baker Botts Cadwalader Wickersham & Taft Fried Frank Harris Shriver & Jacobson King & Spalding Mayer Brown

Financial services regulatory

Recommended firms	
Tier 1	Sullivan & Cromwell
Tier 2	Cleary Gottlieb Steen & Hamilton Davis Polk & Wardwell Simpson Thacher & Bartlett White & Case
Tier 3	Morrison & Foerster Shearman & Sterling Skadden Arps Slate Meagher & Flom WilmerHale
Tier 4	Alston & Bird Arnold & Porter Cadwalader Wickersham & Taft Covington & Burling Debevoise & Plimpton Milbank Tweed Hadley & McCloy Sidley Austin

"You can tie a ribbon around a pig and sell it into the market," said one lawyer when asked about the state of US bank lending. There is such great liquidity that it seems like anything is tradeable, which is promising right now, but could lead to problems. Over a third of loans issued in the US in the past year were covenant-lite, which some say is actually reflecting more of a securities market. "They are becoming two different flavours of the same thing," said a partner, and noted that lending is drifting away from the traditional covenant model and moving more towards a high-yield one.

Private-equity houses have been quick to capitalize on these favourable conditions: there has been a huge rise in leveraged buy-outs (LBOs) with the market favourable to sponsors. LBO financing reached \$121 billion in the past year, and some worry about the unprecedented amount of bank debt, as interest rates on loans tumble. This is yet another market where lawyers and investors both agree there is an unstable bubble forming that may in fact pop. Toggle notes and other risky forms of debt are adding to this pressure.

America's newspaper headlines have focused on subprime mortgages and student loans. Lenders gave out a large amount of housing loans during the boom, which are now creating problems in the US and abroad. These difficulties stem from loaning money to those with bad credit histories, which could ultimately create up to \$100 billion in losses, according to the predictions of some in the Federal Reserve. This trend is also reflected in hedge funds, which have replaced some of the more traditional lenders. The most notable loss was from the hedge funds run by Bear Stearns.

In international matters reflecting the US market, more foreign banks are opening branches here and similarly, American banks are opening branches abroad, with accompanying regulatory issues. "We'll have to see how that develops," said a partner.

Alston & Bird

Despite the departure of John Douglas, who left the firm to join Paul Hastings, Alston & Bird still has a respectable practice in financial services. Douglas headed up Alston & Bird's regulatory practice and is widely regarded as a leader in the practice. One peer said it is "too early to tell" how the departure will be reflected in the firm's performance. The firm represented Regions Financial Corporation and Regions Financing Trust II in its \$700 million shelf takedown offering.

In acquisition matters, Alston & Bird acted for Whitney Holding Corporation in the \$61.7 million acquisition of Signature

Financial Holdings in Florida. In addition, the firm counselled Regions Financial Corporation, which sold its EquiFirst Corporation, a non-prime mortgage origination business, to Barclays Capital for \$76 million. Other clients the firm has represented in financial services in the past year include IndyMac Bank, Wachovia Corporation and JPMorgan Chase.

Leading lawyers

Frank Conner
Dwight Smith

Cadwalader Wickersham & Taft

Cadwalader Wickersham & Taft prides itself on a bank lending practice that focuses on agents and lenders as well as borrowers in the media, energy, forest products, food products, consumer goods and retail industries. The firm acted for BNP Paribas in a \$2 billion revolving credit facility for Louis Dreyfus Highbridge Energy. In acquisition financing, the firm represented arrangers Lehman Brothers, Deutsche Bank Securities and Bear Stearns in the \$1.9 billion credit facility in a private-equity company's acquisition of an international resort company.

In financial services regulatory, peers recognize ex-Shearman practitioner Douglas Landy as "a new-ish person [at Cadwalader] and a nice guy". Cadwalader's funds, regulation, enforcement and equity derivatives department has experience representing a wide range of institutional investors. Co-leader of the group Steven Lofchie joined the firm from Davis Polk in October 2006 and brought with him a few colleagues. "Cadwalader has a good practice," said a partner. "It is focused more in New York and more on issues that hit money centre banks." New York counsel Landy represented Goldman Sachs in the regulatory issues regarding the integration of its Utah bank into the rest of the organization. Clients the firm represents in lending and regulatory work include JetBlue Airways Corporation, Bank of America, PNC Bank and BlankRock.

Leading lawyers

Richard Aborn
Maurine Bartlett
Steven Cohen
Steven Herman
Bruce Hiler
Douglas Landy

Cahill Gordon & Reindel

Cahill Gordon & Reindel moves its way up this year to the second tier after an outstanding performance and continual peer recom-

mendation throughout the practice. “It has an awfully strong bank lending practice now. That practice drives the law firm,” said a peer. Although some consider the firm’s banking lawyers to be warmed-over practitioners from its high-yield practice, one of the firm’s strengths, others still think the firm has strong partners. One competitor said: “Michael Michetti at Cahill is a star. He’s just the kind of person who is the most front-and-centre in leveraged transactions. He’s not the only one but he’s the most visible.”

In a cross-border deal, Michetti represented Royal Bank of Scotland, JPMorgan, Citigroup and UBS in the financing for Apax Partners’ and Omers Capital Partners’ \$7.75 billion purchase of Thompson Corporation’s education sectors in order to finance the Reuters Group acquisition, which created a large media conglomerate.

In addition to acquisition financing, Cahill retains a consistently strong reputation in leveraged financings. It counselled a consortium of Bank of America, Citigroup, Credit Suisse, Deutsche Bank, JPMorgan, and Merrill Lynch in the debt financing for Apollo Management and Texas Pacific Group’s (TPG) \$27.8 billion acquisition of Harrah’s Entertainment. In other acquisition and leveraged financings, the firm represented clients such as Wachovia Securities and Lehman Brothers. The firm has been involved in other numerous acquisition financings including the Kinder Morgan and TXU buyouts, and TPG Capital’s purchase of Alltel.

Cahill has the ability to do different kinds of financings for a variety of clients. Led by Jonathan Schaffzin, Cahill acted for JPMorgan, Merrill Lynch, and Bank of America in the \$8 billion secured credit facilities to Tribune Company in order for the media company to repurchase common stock to go private.

Leading lawyers

Michael Becker
William Hartnett
Ann Makich
Michael Michetti
Jonathan Schaffzin
Daniel Zubkoff

Cleary Gottlieb Steen & Hamilton

“Bob Tortoriello is the king of banking. He wrote a bible on it,” said a long-standing client of Cleary Gottlieb Steen & Hamilton. The firm is known for its representation of head banking institutions. “Paul Glotzer is young and very, very good at this,” said a partner from another firm. In rulings to allow banks to participate in US energy trading

markets, Tortoriello counselled Bank of America, Barclays, JPMorgan Chase and Credit Suisse in obtaining these.

As foreign banks expand into the US, Cleary Gottlieb counselled Banco Bilbao Vizcaya Argentaria regarding the regulatory matters for expansion. John Murphy headed the transaction and was described by one peer as “top-notch”. Murphy also represented the bank in regulatory issues regarding its \$9.6 billion acquisition of Compass Bancshares and \$480 million purchase of State National Bancshares.

In bank lending, Cleary Gottlieb remains a strong competitor with a peer saying: “They are extremely high quality. They do cross-border work.” The firm acted for BNP Paribas in a €750 million (\$1 billion) senior facility, €470 million bridge-financing, and €838 million in bonds for the acquisition of Galeries Lafayette. Also in cross-border work, Cleary Gottlieb counselled Goldman Sachs in a revolving credit facility to finance Northern Leasing’s Canadian micro-ticket leasing business. In bank lending and regulatory work, the firm has represented Citibank, Deutsche Bank, NorCrown Bank and Crédit Lyonnais.

Leading lawyers

Lee Buchheit
Derek Bush
Paul Glotzer
Seth Grosshandler
John Murphy
Sandra Rocks
Robert Tortoriello

Cravath Swaine & Moore

Cravath Swaine & Moore is known for its positive relationships with JPMorgan Chase and Credit Suisse, which keeps them at the top of the rankings and peers recommendations for the year. “Cravath has a lot of decent, good bank people there,” said a partner from another firm. In particular, Allen Parker came in for praise from clients and competitors. Since the past year has been the biggest in M&A, it is no surprise that acquisition financing has dominated banking lawyers’ work. Last March, Cravath completed the second-largest non-investment grade financing. It represented JPMorgan and Merrill Lynch in the \$11.5 billion secured credit facilities for Freeport-McMoRan Copper & Gold, which were used to finance the purchase of Phelps Dodge in the world’s largest mining acquisition.

In another record deal, Cravath Swaine & Moore played a part in the growing private-equity market. In the largest leverage buyout in technology, the firm acted for Citigroup and Credit Suisse in the \$4.25 billion loan to private-equity buyers Blackstone and Carlyle

in the \$17.6 billion acquisition of Freescale Semiconductor. “They do all this work for JPMorgan and Credit Suisse and have some exceptionally strong people,” said a peer.

Leading lawyers

James Cooper
Michael Goldman
Robbins Kiessling
Allen Parker
James Vardell
George Zobitz

Debevoise & Plimpton

Debevoise & Plimpton has had a respectable year in regulatory matters. The firm has only 20 partners working in this field in its global offices, but quality counts and its lawyers gain respect from others in the practice. “Ivan Mattei has been doing it for a very long time. He’s quite good,” said a partner from another firm. The firm’s long list of clients includes various banks such as Citibank, Deutsche Bank and The Bank of New York, with the addition of financial institutions that include Banc of America Securities and Bear Stearns.

Over the past year, Debevoise & Plimpton represented a number of mergers that included regulatory issues. It acted in ABN Amro’s sale of LaSalle Bank to Bank of America for \$21 billion, increasing the bank’s reach in the midwestern states. It also acted for Axa Financial when it merged with insurance company The Mony Group for \$2.3 billion.

Leading lawyers

Wolcott Dunham
Thomas Kelly
Paul Lee
Ivan Mattei

Latham & Watkins

“Latham has a market share in bank lending markets that is significant,” said a peer when asked about Latham & Watkins. The firm is known for its loyal relationship with Goldman Sachs, which places it in a great position to have tier-one status. “They have a Goldman relationship. They will call Latham before they call anyone else,” said a partner from another firm.

Latham & Watkins has been in the midst of acquisitions in the past year as well as acquisition financing. The firm acted for Kohlberg Kravis Roberts (KKR) in the financing and acquisition counsel for its \$10.9 billion purchase of Biomet. The acquisition was made possible through equity obtained from a private-equity consortium including The Blackstone Group, Goldman Sachs Capital Partners, KKR and TPG.

Competitors and clients thought that Marc Hanrahan was the firm's star and was repeatedly called one of the leading lawyers in the practice. The firm's lawyers have represented other clients in the past including The Carlyle Group and Beckham Coulter.

Leading lawyers

David Crumbaugh
Hendrik de Jong
Marc Hanrahan

Milbank Tweed Hadley & McCloy

As acquisition financing heats up in the market, Milbank Tweed Hadley & McCloy has followed suit advising a number of lenders in financing the plethora of M&A activity. "Milbank is quite strong, and they have very good people," said a peer. The firm prides itself on acquisition and leveraged financing and, in November 2006, represented Citigroup in the \$1.55 billion acquisition financing for Macquarie Bank's purchase of aircraft leasing company GATX Air, whose value is mostly Boeing 737s and Airbus A320s.

Adding to the private-equity acquisition market, Milbank also acted for Citigroup along with Morgan Stanley in the \$650 million acquisition financing of RailAmerica by Fortress Investment Group. "It is still a very strong classic lender shop," said a partner from another firm.

In regulatory matters, the firm has performed work for clients that include HSBC Bank, Dresdner Bank, Capital Markets Engineering and Trading and DZ Bank. Competitors recognize Winthrop Brown as a leader in the group describing him as competent. "Milbank has historically been strong," said a peer.

Leading lawyers

Michael Bellucci
Richard Brach
Winthrop Brown
John Cobb
Warren Cooke
Edwin Feo
Elliot Gewirtz
Richard Gray
Jonathan Green
William Mahoney
Elihu Robertson

Morrison & Foerster

Peers consistently compliment Morrison & Foerster for its work in consumer issues. The firm prides itself on its regulatory counsel to Visa in Washington DC and its involvement with foreign banks. Morrison & Foerster represented Industrial Bank of Taiwan, the first of its kind to enter the US, in the regulatory issues in its \$65.6 million acquisition of EverTrust Bank.

"It has very capable partners," said a competitor when asked about Morrison & Foerster. Barbara Mendelson, Richard Fischer and Henry Fields all received admiration from peers and clients for their work in retail banking and consumer issues. Fischer and Oliver Ireland led the firm in acting for The Home Depot. This transaction allows consumers to purchase loans through the company for home repairs and adds to the environment of retail outlets wanting to incorporate banking in their companies. In other matters, the firm has represented Natixis Capital Markets and Credit Suisse in the past year.

Leading lawyers

Roland Brandel
Henry Fields
Richard Fischer
Oliver Ireland
Barbara Mendelson

Shearman & Sterling

With depth and experience of advising large banking institutions such as Citigroup, Morgan Stanley and Wachovia, Shearman & Sterling retains its broad banking and financial services practice. Clients are pleased with the firm's performance and peers think highly of its partners, especially Maura O'Sullivan who one partner said "has been receiving favourable comment lately".

In one of the most covered deals of the year, Shearman & Sterling acted for Credit Suisse Securities, UBS Securities, ABN Amro Bank and Santander Investment Securities in the financing of Companhia Vale do Rio Doce's \$18 billion acquisition of Inco. With the active M&A market, acquisition financing is a large part of the banking market. The firm also counselled Banc of America Securities and JPMorgan Securities in Ipsco's \$1.1 billion acquisition of NS Group. This acquisition widens Ipsco's advancement in energy products.

Acting for the lenders Morgan Stanley Senior Funding and Credit Suisse Securities, Shearman & Sterling advised on a \$935 million senior secured credit financing for energy product manufacturer Dresser in order for the company to refinance a portion of its borrowings. A client said: "We use them because they have good expertise in that area."

Leading lawyers

Ronald Bayer
William Hirschberg
Maura O'Sullivan
Reade Ryan
Bradley Sabel
Jonathan Weld

Sidley Austin

Sidley Austin's presence on deals and the strength of its lawyers keeps the firm's respectable reputation in bank lending and regulatory. "Sidley is definitely in the market. You do seem them," said a competitor, while another described the firm as "doing good work and a lot of work". In one of the many deals the firm completed in the last year, it acted for JPMorgan Chase Bank in Dean Foods' \$4.8 billion facility so the company could return approximately \$2 billion to shareholders through a cash dividend. Sidley Austin also represented Tribune Company in its \$4.4 billion credit facility provided by Citigroup in order to refinance and repurchase stock.

"At Sidley, Bill Eckland is very qualified," said a peer when asked about Sidley Austin's regulatory practice. Another said: "He's a strong element of their practice." As private equity continues to grow in all of the practice areas, Eckland worked on regulatory issues when The Blackstone Group purchased Alliance Data, a credit card processing company, for \$7.8 billion. The firm also advised GMAC Financial Services on regulatory issues when it sold a portion of the company to private-equity company Cerberus for \$14 billion in November 2006. In other matters the firm also has experience representing General Electric Capital Corporation, Morgan Stanley, First Data Debit Services and Bank of America.

Leading lawyers

Bruce Bernstein
Zulfiqar Bokhari
James Clark
William Eckland
Michael Gold
Patricia Murphy

Simpson Thacher & Bartlett

"It dominates leveraged finance," said a partner when asked about Simpson Thacher & Bartlett. The firm has a consistently strong reputation in both lending and regulatory work, which helps it to secure its spot in the top tiers. The firm's lawyers are well respected in the industry, mostly Frank Huck who received continual admiration from peers and clients. "Frank Huck is an extremely capable deal guy," said a client. One partner from another firm deemed him "one of the best". At the time of writing, the firm acted in the largest leveraged buyout in history by representing KKR and TPG in the \$45 billion acquisition of power producer TXU Corporation.

Simpson Thacher completed the largest leveraged finance deal in secured credit facilities when it represented Ford Motor Company in the \$23.5 billion secured credit facilities and unsecured senior convertible notes. In another

automotive industry deal, the firm acted for Citicorp and JPMorgan Chase Bank as leaders in a syndicate of lenders for the \$4.6 billion cross-border credit facilities for General Motors Corporation and General Motors Canada.

In acquisition financing, Simpson Thacher counselled Goldman Sachs, American International Group, The Carlyle Group and Riverstone Capital Partners in the \$8.6 billion financing for the purchase and privatization of Kinder Morgan.

"They're one of the best firms in the world," said a client when asked about Simpson Thacher's regulatory practice. A competitor thought Gary Rice brought quality to the firm's practice: "He's very, very smart and does a lot of transactions, learned a lot and is top notch." Some of the impressive clients the firm has represented in the past year include Blackstone, Bear Stearns, First Reserve Corporation and Merrill Lynch.

Leading lawyers

James Buresh
James Cross
Paul Ford
Jennifer Hobbs
Frank Huck
Hartwell Hylton
James Knight
Lee Meyerson
Gary Rice
Patrick Ryan
Jeremiah Thomas
John Walker

Skadden Arps Slate Meagher & Flom

Skadden Arps Slate Meagher & Flom's partners are well known and respected lending and regulatory lawyers. "Skadden has good lawyers on the borrower's side," said a peer. Both Jim Douglas and Bill Sweet received the utmost praise, with a partner from another firm calling Douglas a "good bank lawyer". When asked about Skadden lawyers, one competitor said: "Bill Sweet is the leading bank regulatory lawyer in what I think is a very good practice." The firm participates in a mix of outstanding and vanilla deals, which shows it has diversity in transactions. In lending, the firm, led by Jim Douglas, acted for Spectrum Brands in borrowing a \$1.6 billion credit facility from Goldman Sachs Capital Partners and Banc of America Securities. The facility will allow the consumer products company to prepay its existing loan debts.

In regulatory matters, Skadden represented Citigroup in the \$1.5 billion purchase of Grupo Cuscatlán in El Salvador last December, allowing the company to expand its Latin American presence. Other clients the

firm has acted for in the past year in lending and regulatory work include Merrill Lynch, Credit Suisse, MacAndrews & Forbes Holdings and Bear Stearns.

Leading lawyers

Robert Copen
James Douglas
Joseph Halliday
Peter Neckles
William Sweet
Sarah Ward
Fred White

Sullivan & Cromwell

Sullivan & Cromwell performs robust regulatory work and clearly stands out as a leader in the practice. Virtually all peers consider the firm a candidate for tier one and many considered Rodgin Cohen an absolute leader in the firm as well as the practice, with one describing him as a "dean of bank regulatory work" and another calling him a "rock star on the regulatory side". Cohen has played a part in all of the significant regulatory deals the firm has completed in the past year. In Barclays' pending acquisition of ABN Amro Holdings, Cohen, along with Clifford Chance, acted as counsel to Barclays for the whopping \$91 billion bid. If the acquisition occurred, it would create the second-largest European bank and the world's biggest financial services takeover.

Competitors constantly compare other firms to the quality and activity of Sullivan & Cromwell's practice. "They were on the Wachovia deal and were really first rate," said a partner from another firm. In this deal, the firm was sole counsel in representing Wachovia Corporation in the \$25.5 billion purchase of Golden West Financial Corporation. In the heavily covered deal, Wachovia made the purchase to expand its mortgage-lending capabilities across a broader region in the US. However, since the real-estate and mortgage markets are slowing down, some deem this transaction could later prove problematic. When JC Flowers was bidding for the purchase of Sallie Mae for \$25.2 billion, Sullivan & Cromwell acted for the private equity-firm on both the acquisition and regulatory side. At the time of writing, however, JC Flowers has said it may withdraw from the deal.

Sullivan & Cromwell's broad practice includes a number of bank and financial institution clients such as The Bank of New York, Merrill Lynch and AmSouth Bancorporation.

Leading lawyers

Rodgin Cohen
Mitchell Eitel
Michael Escue
Stanley Farrar
Erik Lindauer
Mark Menting
Mark Welshimer
Michael Wiseman

Weil Gotshal & Manges

"They've really improved their lenders side of the practice," said a peer when asked about Weil Gotshal & Manges. Competitors have said that the firm is building its practice and will be interesting to watch in the next year as it has the potential to move higher in the rankings. In the active acquisition financing side, leading lawyer Andrew Colao headed the group in representing Lehman Brothers and Deutsche Bank Securities in \$2.35 billion credit facilities in Thomas H. Lee Partners and Quadrangle Group's acquisition of West Corporation, a call centre company. The company had \$760 million debt which was assumed during the private-equity transaction. In another financing for an acquisition, Morgan Bale fronted the representation of Goldman Sachs Credit Partners and JPMorgan Securities in the \$1.69 billion credit facilities for John Maneely Company's leveraged buyout of Atlas Tube, which created the largest manufacturer of steel pipe and tubing in North America.

"They used to be a big bankruptcy firm and still are, but they've really expanded their lender practice, and have had Credit Suisse and Citigroup on a number of matters," said a competitor. Weil Gotshal's strong insolvency practice is echoed in its banking practice. The firm acted for Citigroup Global Markets, JPMorgan Securities and Goldman Sachs Credit Partners in the \$18.5 billion financing for Ford Motor Company's debt refinancing. In another refinancing deal, the firm acted again for Citigroup Global Markets in a \$1.8 billion facility to Affiliated Computer Services.

Weil Gotshal's dense client list also includes Morgan Stanley, Sotheby's, Silicon Graphics and Formica Corporation. "They do a great job for their clients," said a peer. One client said: "They came highly recommended for the expertise we needed. They lived up to those expectations."

Leading lawyers

Morgan Bale
Warren Buhle
Andrew Colao
Daniel Dokos
Marsha Simms
Douglas Urquhart

White & Case

White & Case has an extensive banking practice and is known for doing quality bank lending and regulatory work with loyal clients. "I'm always quite impressed by them," said a partner from another firm. White & Case is known for its strong relationship with Deutsche Bank and in the busy acquisition financing market, acted for the bank in financing the \$6 billion acquisition of Michaels Stores by The Blackstone Group and Bain Capital, by acting as arranger in the \$2.4 billion credit facility. "They do a lot of bank work and do good work," said a peer. The firm also represented arrangers and underwriters Deutsche Bank Securities and Merrill Lynch in \$3.6 billion financing in the acquisition of electronic travel company Sabre Holdings Corporation by private-equity company Silver Lake Partners and Texas Pacific Group for \$5.4 billion.

As part of its worldwide presence and the continued globalization of the market, White & Case acted for BNP Paribas in hydrocarbons leader Petroleos de Venezuela's \$1 billion revolving credit facility in order to fund a \$70 million expansion, and the company is planning to sell securities, which would be the largest on Venezuela's capital markets. In other international matters, White & Case represented Deutsche Bank and Citigroup in the multi-jurisdictional \$759 million revolving credit facility and a \$650 million loan for Aleris International in the financing of its acquisition of Corus Group's rolled aluminium products and to refinance its debt.

With more than 200 lawyers acting for its financial services department, White & Case's partners and associates are well respected among competitors. "Kathy Scott, I think very highly of her," said a peer who went on to praise partner Kevin Barnard: "He's really a top-notch guy." Barnard acted in representing BNP Paribas' \$2 billion acquisition of assets from Bank of America, with clients in multiple jurisdictions. Other clients the firm has represented in the past year include Goldman Sachs, National Bank of Canada, Swiss Bank Corporation and Crédit Lyonnais.

Leading lawyers

Kevin Barnard
Eric Berg
David Bilkis
Sean Geary
David Joyce
David Koschik
Eric Leicht
Duane Wall

WilmerHale

Despite rumblings that the departure of partner Greg Baer, who left for a position at Bank of America, may hurt the firm, WilmerHale has remained consistent in keeping valuable regulatory partners with the hiring of Ann Kappler in February from Fannie Mae. Peers deem Russell Bruemmer and Christopher Lipsett the firm's stars in the regulatory. One said: "Chris is good on the consumer side. He's a knowledgeable guy."

Franca Harris Gutierrez remains a present force acting as leading lawyer in regulatory counsel to Lehman Brothers in its \$210 million purchase of Capital Crossing Bank. In Florida banking, Gutierrez represented Miami-based PineBank when it sold \$42.3 million of assets to The Hemisphere National Bank in September 2006. WilmerHale's regulatory client list also includes American International Group, HSBC North America, Citigroup and Fannie Mae.

Leading lawyers

Russell Bruemmer
Franca Harris Gutierrez
Christopher Lipsett

Other notable firms

As a firm with strong energy clients, Baker Botts has acted for borrowers on a number of financings related to that field. The firm represented chemical manufacturer, Lyondell Chemical Company in borrowing a \$1.8 billion syndicated term loan from JPMorgan Chase Bank. Bill Hart, Herschel Hamner, and Rick Goyno are considered the leading banking lawyers at the firm. Other clients the firm has represented include Encore Energy Partners, MetroPCS, and lenders Citibank and JPMorgan Chase.

"It originally became known in this area through insurance companies, and it leveraged that nicely," said a peer when asked about Bingham McCutchen. The firm acted for Banc of America Securities and Bank of America in supplying a \$500 million revolving credit facility to White Mountains Insurance Group, a Bermuda financial services holding company. The firm has also counselled clients such as JPMorgan Chase, UBS and Wells Fargo Bank.

Fried Frank Harris Shriver & Jacobson is known for its work with sponsors. The firm represented Merrill Lynch in the \$1.85 billion debt financing for Clayton Dubilier & Rice's \$3 billion acquisition of Sally Beauty Company as it went private. The firm was also involved in the \$960 million funding for the largest stadium financing, acting for The New York Yankees in the construction of the team's new stadium. The firm has counselled a num-

ber of clients in the past year including Aleris International, Goldman Sachs and Permira Advisors.

Mayer Brown is known for its work in Latin America and has done a number of cross-border deals in the past year. The firm represented Cemex in obtaining a \$3 billion loan from ING Capital in order to acquire Australian Rinker Group for \$12.8 billion, creating the largest hostile takeover of a non-Latin American company by a Latin American company. In another multi-jurisdictional matter, the firm counselled Bank of America in supplying Asyst Corporation with a \$115 million secured credit facility for an acquisition. Mayer Brown's highlighted clients also include The Bank Nova Scotia, The Royal Bank of Scotland and Morgan Stanley.

Mergers and acquisitions

Recommended firms

Tier 1

Cravath Swaine & Moore
Davis Polk & Wardwell
Simpson Thacher & Bartlett
Skadden Arps Slate Meagher & Flom
Sullivan & Cromwell
Wachtell Lipton Rosen & Katz

Tier 2

Cleary Gottlieb Steen & Hamilton
Fried Frank Harris Shriver & Jacobson
Latham & Watkins
Shearman & Sterling
Weil Gotshal & Manges

Tier 3

Cadwalader Wickersham & Taft
Debevoise & Plimpton
Gibson Dunn & Crutcher
Paul Weiss Rifkind Wharton & Garrison

Tier 4

Jones Day
Kirkland & Ellis
Sidley Austin
Willkie Farr & Gallagher

Tier 5

Baker Botts
Dewey Ballantine
Mayer Brown
Vinson & Elkins
Wilson Sonsini Goodrich & Rosati

"Everyone is chasing private-equity firms," said one partner. "It's the flavour of the year."

There is no doubt that M&A activity in the US in the past year can be described as a boom, with money pouring in for large transactions, most notably due to the injection of

private equity. What some describe as a bubble effect is not just present in the US, but globally. “There is a shift of firms to a global footprint, which is resulting in a wider M&A market,” said a partner. Last May the worldwide value for M&A deals reached \$2 trillion – mergers are becoming not just much larger, but also more frequent.

Besides inflating the M&A market, private equity has also helped to shape it. “Activity on the corporate side is similar to the private-equity side and private equity looks like corporate,” said a lawyer. The amount of equity generated by private-equity firms is massive, and there are more buyouts and more companies turning private. “There are the acquisitions of large companies by private equity and the influence of hedge funds that agitate changes,” said a partner. The impact of this can be seen in the past year where the four largest M&A deals were all private-equity buyouts.

There are conflicting outlooks on the prospects of the M&A market. Some say that this influx of action will have to end some point soon. They speculate that the subprime lending woes in the market may have an impact that will slow the amount of deals completed. Others are more bullish: “There is a lot of money still out there, and it will be interesting to see where that’s going to go. There’s too much money in that game for it to end.”

Cravath Swaine & Moore

Cravath Swaine & Moore holds a top spot this year as one of the leading M&A firms in the US. Despite some accusing the firm of lacking an international and private-equity focus, the firm has been present on some of the blockbuster deals of the year and is well received by clients. “They’re fabulous,” said a client. “They are very smart and terrifically responsive.” The firm acted for Johnson & Johnson when it acquired Pfizer Consumer Healthcare for \$16.6 billion in December 2006. The deal created one of the largest consumer healthcare companies in the US. Internationally, Cravath represented Schering when it was acquired for €16.3 billion by Bayer. The deal came after a hostile bid for the pharmaceutical company by Merck.

In the midst of the acquisition surge, Cravath represented Novartis when its Gerber brand was bought by Nestle for \$5.5 billion. Novartis is said to want to focus more on the pharmaceutical and healthcare section of its business. Cravath partners Mark Greene and Philip Gelston led the transaction, with one peer commenting: “Mark Greene’s up and coming. He’s done an outstanding job and is very reasonable.”

Among other headline-grabbers in the last year, the firm acted for Jones Apparel Group when it sold its subsidiary Barneys New York for \$942 million to Isthmar last June, after a bidding struggle with Japanese Fast Retailing.

In additional transactions, the firm has represented IBM, Credit Suisse, Michaels Stores and UAL Corporation. One client called the firm “simply first-rate”. Another said: “Allen Finkelson does work for us and he’s wonderful.”

Leading lawyers

Scott Barshay
Allen Finkelson
Philip Gelston
Mark Greene
Richard Hall
Faiza Saeed
Alan Stephenson
Robert Townsend

Davis Polk & Wardwell

“They have experience, skill, judgement, and temperament,” said a peer about Davis Polk & Wardwell’s George Bason and John Ettinger. “It’s like baseball, where you have a batting average. Who would you want by your side if you’re in a corner?”

The firm received overwhelming praise for its part in the bigger deals of the year, including the \$91 billion AMN Amro merger with Barclays. The firm acted for ABN Amro in a merger which will create one of the world’s largest banks. In the first quarter of 2007 alone, the firm completed 28 global M&A deals, totalling \$149 million. As M&A deals grow larger and more frequent, this number is rapidly increasing. “Davis Polk you see all the time and they’re very good,” said a competitor.

In a deal which formed the largest pharmacy retailer in the US, Davis Polk partners acted for CVS in its \$27 billion merger Caremark in March. In another healthcare deal, the firm counselled AstraZeneca in its \$15.6 billion acquisition of MedImmune, which was the largest acquisition of a US pharmaceutical company by a foreign company.

In the high-profile Sallie Mae \$25 billion buyout by JC Flowers & Company, Davis Polk lawyers acted for the target. George Bason led this transaction out of the New York office. Phillip Mills also comes in for praise. “He has a great public deal sense,” said a peer. The firm’s active client list includes Comcast, Morgan Stanley and Oracle.

Leading lawyers

George Bason
Peter Douglas
John Ettinger
Arthur Golden
Diane Kerr
Phillip Mills
Joseph Rinaldi
Carole Schiffman

Simpson Thacher & Bartlett

Simpson Thacher & Bartlett is one of the clear leaders in private equity, and since that area is blurring with M&A, this makes the firm a leader in this practice as well. In the first half of 2007, the firm was ranked among the top five firms for global M&A deal value. Clients were quick to point out their satisfaction with the firm’s performance, and a peer said: “David Sorkin is very good technically and had the confidence of his client. He’s very effective at getting deals done.” Sorkin was one of the many partners at Simpson Thacher that advised Kohlberg Kravis Roberts & Company (KKR) and Texas Pacific Group (TPG) in the largest leveraged buyout in the US. The consortium purchased energy company TXU Corporation for \$45 billion in the milestone deal last February.

In public M&A, firm also has represented Sirius Satellite Radio when it merged with XM Satellite Radio Holdings for \$13 billion last February. The deal creates a significant competitor in the satellite radio practice. In addition, the firm advised other clients in the last year including Evercore Partners, Apax Partners, Rinker Group and JPMorgan Securities.

Leading lawyers

Richard Beattie
Richard Capelouto
Charles Cogut
Todd Crider
William Curbow
William Dougherty
John Finley
Gary Horowitz
Alan Klein
Lee Meyerson
Philip Ruegger
David Sorkin
Robert Spatt

Skadden Arps Slate Meagher & Flom

Skadden Arps Slate Meagher & Flom has been a constant headline-grabber this year, present on many of the significant M&A deals. One of the biggest deals of the year was News Corporation’s \$5.6 billion takeover of

Dow Jones. This deal placed *The Wall Street Journal*, which was owned by the Bancroft family, in the hands of media mogul Rupert Murdoch. After many bids by News Corporation, and much persuasion, the deal finally went through in August 2006 and portrays the trend for consolidation in the media.

In another highly reported deal this year, Skadden represented Coca-Cola in its biggest acquisition. The company made a \$4.1 billion offer for Energy Brands Glaceau, which makes popular drinks such as VitaminWater and Smart Water. A short time before this deal, Skadden lawyers represented Nasdaq in its \$3.7 billion acquisition of OMX Group, which is in charge of stock exchanges in Denmark, Sweden and Finland. Prior to this transaction, the company tried unsuccessfully to purchase the London Stock Exchange.

Skadden remains consistently active in the M&A world, with clients and peers admiring some of its leading partners. "Roger Aaron at Skadden is terrific and he has been for 20 years," said a rival. Aaron acted as lead counsel represented Univision Communications when it was bought out for \$13.7 billion by Broadcasting Media Partners, which includes private-equity firms Madison Dearborn Partners, Providence Equity Partners, Thomas H Lee Partners, TPG and Saban Capital Group.

Additional deals include Skadden's representation of IHOP Corporation when it purchased Applebee's International for \$2.1 billion. IHOP hopes to improve the family restaurant chain's cash revenue and operations. Other Skadden deals in the past year involved representation of Alcoa, Guidant Corporation, Fairmont Hotels & Resorts and BlackRock.

Leading lawyers

Roger Aaron
Peter Allan Atkins
Stephen Arcano
Kenneth Bialkin
Jerome Coben
Howard Ellin
Joseph Flom
Blaine Fogg
David Fox
Eric Friedman
Franklin Gittes
Thomas Kennedy

Sullivan & Cromwell

Sullivan & Cromwell is recognized as one of the leaders in M&A, with broad coverage of both public and private M&A deals. Named as *IFLR's* M&A team of 2006, Sullivan & Cromwell was a big player representing Inco when Companhia Vale do Rio Doce (CVRD)

made a tender offer of \$18 billion. This deal was also considered *IFLR's* M&A deal of the year, and was the biggest acquisition by a Latin American company. In yet another standout deal, Sullivan & Cromwell advised AT&T in the largest M&A deal of 2006. The company purchased BellSouth for \$89.4 billion.

Since private equity became a driving force of the large M&A deals in the past year, the firm is claiming tier one status for its involvement in those types of M&A deals. The firm advised energy company TXU Corporation in its \$45 billion private-equity acquisition by KKR and TPG. The privatization of the company resulted in it cutting prices and investing more money into alternative energy.

In yet another widely reported private-equity M&A deal, Sullivan & Cromwell acted for Hilton Hotels when it was bought out by Blackstone for \$26 billion in April. The privatization of the world's largest hotel group comes as no surprise as private-equity firms swept across every sector this year. Also in April, the firm counselled First Data Corporation's independent directors when the company was purchased by KKR for \$29 billion. The Sullivan & Cromwell team was led by James Morphy who was continually mentioned by clients and competitors as being one of the best.

In cross-border deals, Sullivan & Cromwell advised the target in Teachers Private Capital's C\$51.7 billion (\$49 billion) acquisition of Bell Canada Enterprises, which was just one of the many US-Canadian acquisitions in the past year. "Sullivan & Cromwell is a tier one firm filled with lots of good people," said a peer. James Morphy, Rodgin Cohen and Benjamin Stapleton were all thought of by clients and partners at other firms as being leaders in the practice.

Some of the other deals include Sullivan & Cromwell's representation of Barclays on its bid for ABN Amro for \$91 billion to create one of the world's largest banks. In other deals, the firm has represented Wachovia Corporation and Endesa.

Leading lawyers

Francis Aquila
Rodgin Cohen
Robert DeLaMater
Joseph Frumkin
Sergio Galvis
James Morphy
Alison Ressler
Andrew Soussloff
Benjamin Stapleton

Wachtell Lipton Rosen & Katz

Wachtell Lipton Rosen & Katz has had a role in some of the headline deals of the past year. "Wachtell has better quality control and a more

even performance," said a peer. The firm was in the top five firms last year for the value of its M&A transactions. One of the big-ticket deals includes representing the Bancroft family in News Corporation's \$5 billion takeover of Dow Jones, adding another facet of the media conglomerate and the continuation of the consolidation of news services.

In a different type of M&A deal, Wachtell Lipton advised New York Stock Exchange (NYSE) in its demutualization. The \$9 billion reverse takeover of Archipelago allowed the NYSE to become a publicly traded and for-profit company.

In private-equity matters, Wachtell advised the investor group of JC Flowers, Friedman Fleischer & Lowe, JPMorgan Chase, and Bank of America in the \$25 billion acquisition of Sallie Mae. Additionally, in the \$27.5 billion Alltel buyout, the firm counselled the target when TPG and Goldman Sachs Capital Partners acquired the telecoms company in May, resulting in the largest US leveraged buyout in the sector. In June alone, the firm landed three deals that tallied a combined value of \$35 billion. Wachtell has seen its fair share of clients with Goldman Sachs, Iscar, Lucent Technologies and Walt Disney Company making the list.

Leading lawyers

Andrew Brownstein
Adam Emmerich
Edward Herlihy
Richard Katcher
David Katz
Martin Lipton
Daniel Neff
Trevor Norwitz
Andrew Nussbaum
Eric Robinson
Steven Rosenblum
Patricia Vlahakis

Cleary Gottlieb Steen & Hamilton

"Cleary's an enigma," said one corporate partner. "They are a good firm and ranking them up near the top makes good sense. They are probably the godfather with the global approach to things." There is no doubt that Cleary Gottlieb Steen & Hamilton is recognized for its international M&A practice. The firm was involved in *IFLR's* M&A deal of 2006 – it represented CVRD in the \$18 billion bid for Inco in a deal that reflected the hotbed of activity in both cross-border transactions and the Canadian mining sector. Also working internationally, the firm represented Mittal Steel when it merged with Arcelor for €26.6 billion, creating the largest steel producer worldwide.

In Nasdaq's \$3.7 billion acquisition of OMX, Cleary Gottlieb represented the target. The newly formed exchange lists so many companies that it is now the largest exchange worldwide.

In the growing private-equity sector, Cleary Gottlieb bagged leading roles in some of the highlighted deals of the year. The firm represented Warburg Pincus in its \$4.5 billion acquisition of Bausch & Lomb last May. Cleary Gottlieb's list of clients also includes Citigroup Global Markets, Bear Stearns and Bank of America.

Leading lawyers

John Byam
Victor Lewkow
Paul Marquardt
Paul Shim
Daniel Sternberg

Fried Frank Harris Shriver & Jacobson

Fried Frank Harris Shriver & Jacobson moves up a tier this year after outstanding peer and client recommendations and presence on some of the larger deals of the year. "They're incredibly expert and have responsive and talented lawyers," said a client. Fried Frank was applauded for its involvement in the largest M&A deal of 2006. The firm represented BellSouth when it merged with AT&T for \$89.4 billion. In the prominent \$5.6 billion acquisition of Dow Jones by News Corporation, Fried Frank counselled Dow Jones through the process. Arthur Fleischer and Philip Richter spearheaded the transaction. One client said: "Art Fleischer stands out. He's been doing M&A law for 30 to 40 years and is just incredible."

"They had a very good year, very successful business based on relationships with hedge funds and investors," said a rival lawyer. "They have a very big private-equity practice that is Goldman Sachs-based." Fried Frank has done a number of M&A deals in the past year representing Goldman Sachs. In a rare deal that gave shareholders the ability to retain an interest in the target, Fried Frank represented Goldman Sachs Capital Partners when it teamed up with KKR to buy Harman International Industries for \$8 billion. One peer said: "Fried Frank is a place where I'd send people."

As Goldman Sachs remains one of its leading clients, the firm has also represented Citadel Investment Group, Merrill Lynch, Aleris International and Permira Funds. "Phil Richter is talented," said a client of the firm. "He's very knowledgeable of M&A and has a lot of depth."

Leading lawyers

Arthur Fleischer
Stuart Katz
Sanford Krieger
Philip Richter
Robert Schwenkel

Latham & Watkins

Latham & Watkins' M&A department has grown over the past year when the firm hired two partners from O'Melveny & Myers and, more recently, two additional partners, one from O'Melveny and another from Dewey Ballantine. Some peers think the firm does not have "the same shine on their star as they did years ago". Still, Latham was seen in recent tables as topping the M&A rankings for the first half of 2007 by deal value. The firm accumulated \$230 billion in M&A deals in this time, which may change its outlook for next year's rankings.

One competitor said: "Latham has a number of good people including Chuck Nathan and Mark Gerstein. They have a very strong practice." The firm advised Advanced Micro Devices when it acquired ATI Technologies for \$5.4 billion last October in an attempt to expand its consumer mobile computing business.

As private-equity resembles the public M&A category more and more, Latham & Watkins represented KKR in its \$10.9 billion acquisition of Biomet, which is the second largest private-equity acquisition of a healthcare company. Other companies the firm has represented in the past year include The Carlyle Group, Koch Industries and Harrah's Entertainment.

Leading lawyers

Barry Bryer
Thomas Dobson
Mark Gerstein
Christopher Kaufman
Peter Kerman
Charles Nathan
David Schwartzbaum
Edward Sonnenschein
Erica Steinberger
Paul Tosetti

Shearman & Sterling

Even though some peers think Shearman & Sterling's lack of a leading private-equity practice may harm the firm's future activity in M&A, it still is present on big-ticket transactions both domestic and internationally. The firm can be seen in M&A deals in many jurisdictions, with its broad practice also in Latin America. Most notable was the firm's representation of DaimlerChrysler when it sold Chrysler Holding to private-equity company Cerberus Capital Management for \$7.4 billion. This deal relieves some of the burden that the struggling Chrysler

had on Daimler. Cerberus will help with the restructuring of the company.

In General Electric's plastics sale, Shearman & Sterling advised Saudi Basic Industries, which bought the business for \$11.6 billion in May, expanding the petrochemical company's operations in the US. In another international matter, the firm advised Siemens when it expanded its software portfolio in its \$3.5 billion acquisition of UGS Corporation from a private-equity consortium of Bain Capital Partners, Silver Lake Partners and Warburg Pincus.

When Boston Scientific Corporation bought Guidant Corporation in January, Shearman & Sterling represented the purchaser, which completed the \$27 billion offer after another merger offer from Johnson & Johnson was denied. This deal resulted in one of the largest buyouts in the medical devices industry. Other clients the firm has represented in the past year include Nokia Corporation, Viacom and GlaxoSmithKline.

Leading lawyers

Stephen Besen
Creighton Condon
Jeffrey Lawrence
Peter Lyons
John Madden
John Marzulli
Clare O'Brien

Weil Gotshal & Manges

"They assess our needs, explain issues and are effective in helping us resolve issues," said a client when asked about Weil Gotshal & Manges. The firm moves up a tier this year with its involvement in some large deals including a few private-equity M&A transactions. Weil acted for General Electric when it sold its plastics business to Saudi Basic Industries for \$11.6 billion last May. The proceeds from the deal will be used to buy back shares of up to \$8 billion. "Weil is obviously a player," said a peer.

In other public M&A matters, Weil Gotshal advised Florida Rock Industries when it was purchased by Vulcan Materials for \$4.6 billion, which allows Vulcan to expand into Florida with its construction materials production business.

In private-equity matters, Weil Gotshal represented HM Rivergroup when it acquired publisher Houghton Mifflin Holding Company from a private-equity consortium of The Blackstone Group, TH Lee Partners and Bain Capital for \$3.4 billion. The firm represents various other clients including General Motors Corporation, Lehman Brothers and JPMorgan. One client said of the firm: "It does a fine job. It's very experienced and knowledgeable with lots of resources. It gives us the answers we need."

Leading lawyers

Michael Aiello
Howard Chatzinoff
Stephen Dannhauser
Frederick Green
Todd Lang
Akiko Mikumo
Ellen Odoner
Thomas Roberts

Cadwalader Wickersham & Taft

Cadwalader Wickersham & Taft is a constant force in public M&A, taking a prominent part in the M&A wave of the past year. In the pharmaceutical industry, Cadwalader represented Pfizer in its \$16.6 billion sale of its consumer healthcare wing to Johnson & Johnson, resulting in one of the largest consumer healthcare companies in the US. The firm also advised Six Flags when it sold three water parks and four amusement parks for \$312 million to Parc 7F Operations. The money made from this transaction will help to reduce the company's \$2.2 billion debt.

With the growing influence of private-equity on M&A matters, Cadwalader has followed that trend by acting for Apollo Management in its \$1.15 billion acquisition of Xstrata Aluminium. This follows Xstrata's cross-border \$16.2 billion acquisition of Falconbridge in 2006, which was the largest hostile acquisition in Canada's mining industry. In other transactions, the firm has also represented Procter & Gamble and Republic Bancorp.

Leading lawyers

Louis Bevilacqua
Dennis Block
William Mills

Debevoise & Plimpton

Debevoise & Plimpton's practice in M&A – both public and private – stems from the firm's robust private-equity practice. The firm's 32 M&A partners in the 2006 practice completed 165 transactions with a total value reaching \$435 billion. In some of its bigger deals, the firm represented Energy Brand when Coca-Cola purchased it for \$4.1 billion, marking the soft-drink company's largest acquisition. In another of its standout deals of the year, Debevoise lawyers acted for Verizon in its \$8.5 billion merger with MCI. This merger combines Verizon's wireless and broadband service with the global reach of MCI.

In a deal that influenced the mining industry, Debevoise & Plimpton represented Phelps Dodge when it merged with Freeport-McMoRan Copper & Gold for \$26 billion, creating the largest public copper company.

With its authority in private equity, Debevoise & Plimpton represented a consortium of Clayton Dubilier & Rice, Merrill Lynch Global Private Equity and The Carlyle Group in its \$15 billion takeover of Hertz from Ford. Other clients the firm has represented include Liberty Mutual Group, EBG Holdings, Ripplewood Holdings and International Paper.

Leading lawyers

Paul Bird
Franci Blassberg
Wolcott Dunham
William Regner
Jeffrey Rosen
Kevin Schmidt
John Vasily

Gibson Dunn & Crutcher

"Gibson Dunn is a good firm and had a lot of potential," said a peer when asked about Gibson Dunn & Crutcher. The firm has done a number of public M&A deals in the last year partnered with a few private-equity transactions. "It has very talented people," commented another competitor. Gibson Dunn represented in the European \$25 billion merger of Rusal with Sual and Glencore International, which created the aluminium company United Company Rusal. The firm also acted for Itron in its \$1.7 billion acquisition of energy products manufacturer Actaris Metering Systems in order to expand its North American business.

In its private-equity transactions, Gibson Dunn counselled The Carlyle Group in its \$772 million acquisition of Synagro Technologies. In other transactions in the past year, the firm has represented UBS Investment Bank, The Williams Companies, Charter Communications and Celanese Corporation. "In the M&A area with large company acquisitions, the lawyers have the depth and experience," said a client.

Leading lawyers

Howard Adler
Andrew Bogen
Steven Buffone
Dennis Friedman
Stephen Glover
Jonathan Layne
Bruce Meyer
John Olson
Richard Russo

Other notable firms

Paul Weiss Rifkind Wharton & Garrison's relationship with its clients is notable in the market. "Paul Weiss has some very good

clients like Time Warner," said a peer. "Its M&A is very much a mixed bag." In June 2006, the firm acted for Swiss Re in the \$7.4 billion purchase of GE Insurance Solutions. The resulting company is the world's largest reinsurance company. The firm's other clients include Citigroup, Beverage Associates Corporation and Hutchison Telecom. "Paul Weiss has a small M&A group, but there are good people there, like Bob Schumer," said a peer.

"They have an excellent team of lawyers and vast experience and are very helpful in M&A," said a client when asked about **Jones Day**. The firm has been in both public and private M&A which has swept across the public market. The firm represented Albertson's when it was acquired for \$17.4 billion by companies such as Supervalu, CVS Corporation, and Cerberus Capital Management. In private-equity M&A, the firm counselled Harman International Industries in its \$8 billion acquisition by KKR and Goldman Sachs Capital Partners affiliates. Robert Profusek led this transaction, and one client said: "Robert Profusek has excellent judgment. He's a great adviser for working management and the board."

Sidley Austin is known for its real-estate investment trust (Reit) transactions and mid-western presence in the M&A sector. The firm represented Equity Office Properties Trust when it was sold to an affiliate of Blackstone Group for \$39 billion. Sidley Austin was also involved in General Electric's healthcare unit's \$8.13 billion acquisition of Abbott Laboratories. Sidley represented General Electric, which plans to expand its healthcare research capabilities. Other clients the firm has represented include First Data Corporation and long-standing client Tribune Company. "They're always responsive to our needs," said a client.

Baker Botts is one of the stronger M&A firms for work in the energy sector. In February, the firm represented Lyondell Chemical Company when The National Titanium Dioxide Company purchased the company's inorganic chemicals business for \$1.2 billion. Additional companies the firm has represented in the past year are Dominion Resources, Valero Energy Company, Marathon Oil Company and Liberty Media Corporation.

Despite the partner shake-up at **Mayer Brown**, the firm is still active on some big M&A deals. The firm represented Nestle in its \$5.5 billion acquisition of Gerber Baby Products from Novartis, which said it would concentrate its energy on pharmaceuticals. "Phil Brandes did a superb job," said a client of the firm. "He had great responsiveness and a good manner. He gave quality advice."

Wilson Sonsini Goodrich & Rosati maintains a respectable M&A practice. The firm advised Pixar in its \$7.4 billion sale to The Walt Disney Company, which has financed and distributed Pixar films for more than a decade. Also in the technology sector, Wilson Sonsini represented Google when it purchased DoubleClick for \$3.1 billion in April to expand its advertising capabilities. In private equity, the firm acted for Freescale Semiconductor when it was purchased by a private-equity consortium for \$17.6 billion, making it the largest leveraged buyout in technology.

Private equity – transactions

Recommended firms

Tier 1

Debevoise & Plimpton
Kirkland & Ellis
Simpson Thacher & Bartlett

Tier 2

Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Fried Frank Harris Shriver & Jacobson
Latham & Watkins
Skadden Arps Slate Meagher & Flom
Weil Gotshal & Manges

Tier 3

Gibson Dunn & Crutcher
Ropes & Gray
Schulte Roth & Zabel
Wachtell Lipton Rosen & Katz
Willkie Farr & Gallagher

Private equity – fund formation

Recommended firms

Tier 1

Debevoise & Plimpton
Simpson Thacher & Bartlett

Tier 2

Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Kirkland & Ellis
Ropes & Gray
Weil Gotshal & Manges

Tier 3

Akin Gump Strauss Hauer & Feld
Gibson Dunn & Crutcher
Latham & Watkins
O'Melveny & Myers
Paul Weiss Rifkind Wharton & Garrison
Schulte Roth & Zabel

Private equity in the US has placed its stamp on virtually all other practice areas in the past year. The most obvious influence is in the M&A market, with the largest transactions in the past year all involving private-equity buyouts, as private investors turn to the stock market in their quest for ever-larger targets.

The other trend in this field is the hybridization of public and private work. In some cases, when a company is bought out by a private-equity firm, shareholders are able to retain a portion of the company, making it somewhat public. "There is a tremendous trend toward hybridization," said a lawyer.

The financing of these transactions is also becoming more innovative with the use of securitization in private equity. "Securitization structures were active over the last year, where investors continue to pursue cheaper sources of capital," said a lawyer. In other areas, the rise in private equity can be seen, including project finance in the energy sector.

And the transactions are becoming much bigger. In the US, private-equity deals have tripled their value since last year. "It's a combination of firms being much larger and larger equity checks with availability of financing on very favourable terms," said a corporate partner. There has also been a flood of the establishment of mega funds, as sponsors become more hypnotized by the private market: "They have confidence to underwrite bigger cheques."

But some think this confidence is misplaced. With some saying that high-risk debt is beginning to put companies off the acceleration of buyouts, one partner asked: "Is this the beginning of the end?"

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb Steen & Hamilton's private-equity practice is known throughout the field as rising in prominence. This may be in large part because of its relationship with Texas Pacific Group (TPG). "They are certainly representing a number of clients and getting involved in some interesting large deals," said a peer. As private deals become more frequent and larger, Cleary has been one of the leads in this trend. The firm represented Apollo Management and TPG in the largest leveraged buyout in the entertainment industry. The two companies bought out Harrah's Entertainment for \$17.1 billion. In another significant deal representing TPG, the firm also acted for The Carlyle Group and Permira Advisors in their \$17.6 billion buyout of Freescale Semiconductor, marking the largest leveraged buyout in technology. "Michael Ryan is the principal relation with TPG, and he's a good lawyer," said a competitor.

Another peer said: "Paul Shim at Cleary is their TPG guy and very good." When telecoms company Alltel went private, Cleary Gottlieb represented the buyers TPG and Goldman Sachs Group's private-equity arm. The \$27.5 billion leveraged buyout marks the largest in the US telecoms industry.

On the fund formation side, Cleary Gottlieb has been a large part of establishing domestic and international funds. The firm represented numerous TPG Partners when it organized \$28 billion funds. Internationally, the firm has helped to establish a \$1 billion Asian equity fund for MBK Partners. Additionally, Cleary Gottlieb lawyers worked with Goldman Sachs in its \$1.5 billion Asian investment fund in order for it to invest in distressed assets. Besides its strong relationship with TPG, the firm has represented other high-profile clients in the past year including Onex Corporation, Deutsche Bank Trust Company, Indigo Partners and Citigroup.

Leading lawyers

Michael Gerstenzang
Michael Ryan
Paul Shim

Davis Polk & Wardwell

Some in the market characterize Davis Polk & Wardwell's private-equity practice as an extension of its M&A practice, but the firm was also seen on some larger privatizations as well as fund formations. The firm has represented clients such as Morgan Stanley Capital Partners and Credit Suisse First Boston Equity Partners on forming their billion-dollar funds.

"They do great work," said a peer when asked about Davis Polk. In the string of mega-private equity M&A transactions, the firm advised the target when JC Flowers bought out Sallie Mae for \$25 billion in April. Additionally in April, the firm represented Crestview Partners when it purchased surgical facility operator Symbion for \$637 million. When Limited Brands wanted to sell interest of the Express brand to Golden Gate Capital affiliates, Davis Polk acted for Limited in the \$548 million majority interest deal. With the company selling 67% ownership, it will still retain 33% in Express.

In the real estate investment trust (Reit) field, David Polk advised TPG-Axon Capital Management as one of the investors in the private-equity consortium's \$3.5 billion leveraged buyout of Reit Spirit Finance Corporation. In other private-equity transactions the firm has also represented AIG Financial Products, Credit Suisse, Quadrangle Capital Partners and JPMorgan Securities.

Leading lawyers

George Bason
John Bick
John Ettinger
Nora Jordan
Leor Landa
Nancy Sanborn
Carole Schiffman

Debevoise & Plimpton

“Debevoise is definitely a smaller player but the deals they do are large and significant marquee deals,” said a rival when asked about Debevoise & Plimpton. Even though the market considers the firm to be a small one, it has more than 80 lawyers working in private equity, with half of those dedicated to fund formation. It also has a global presence, with eight international offices. “Debevoise has a good Asia practice, and we’ll see how it goes,” said a peer. The firm is a dominant force in both the transactional and fund formation side. In one of the firm’s fund formation deals in the past year, it represented Providence Equity Partners when it closed a \$12 billion fund Providence Equity Partners VI.

In another highly regarded transaction, Debevoise represented Clayton Dubilier & Rice in developing a fund in order to invest in Sally Beauty Company. The \$3 billion fund comes as a result of an agreement with Alberto-Culver Company.

On the transactional side, Debevoise lawyers received positive feedback from competitors and clients. “Franci at Debevoise is very smart and effective,” said a peer. Franci Blassberg was one of the partners involved in representing Clayton Dubilier & Rice and KKR in their \$7.1 billion acquisition of distributor US Foodservice last May. The private-equity firms purchased the company from Royal Ahold Funds. In other deals, the firm also acted for Bain Capital Partners, The Carlyle Group and Ripplewood Holdings.

Leading lawyers

Paul Bird
Franci Blassberg
Woodrow Campbell
Margaret Davenport
Michael Harrell

Fried Frank Harris Shriver & Jacobson

Fried Frank Harris Shriver & Jacobson’s transactional private-equity practice is recognized for the volume of its work and its relationship with long-standing client Goldman Sachs. In the private-equity field, the general volume has been rising, and the firm has stayed ahead of the game with a presence on large deals. In

one of the most important deals of the year, the firm counselled Goldman Sachs Capital Partners as part of the consortium that purchased TXU for \$45 billion, which was the largest leveraged buyout in the US.

“Chris Ewan at Fried Frank is a terrific lawyer,” said a peer. Ewan led the Fried Frank team in counselling Permira when it was part of a consortium which bought Freescale Semiconductor for \$17.6 billion, a landmark deal in the technology sector. When Harman International Industries was bought out for \$8 billion, Fried Frank lawyers represented one of the buyers, Goldman Sachs Capital Partners. In addition to Goldman Sachs, the firm’s client list includes Aleris International, Citadel Investment Group, Merrill Lynch and AEA Investors.

Leading lawyers

Andrew Colosimo
Aviva Diamant
Christopher Ewan
Robert Schwenkel
Steven Steinman

Gibson Dunn & Crutcher

“Ed Sopher at Gibson Dunn is just a very practical, knowledgeable lawyer who also knows hedge on the fund formation side,” said a peer when asked about the partners at Gibson Dunn & Crutcher. The firm, which started its private-equity practice in the mid-eighties, has set up numerous funds in the past year, including Green Equity Investors V, a \$5.3 billion private-equity fund for Leonard Green & Partners, which invests in media, retail, healthcare and consumer products. Sopher was instrumental in establishing \$1 billion mezzanine private equity fund DLJ Investment Partners III, representing Credit Suisse Alternative Investments.

On the transactions side, Gibson Dunn represented Green Equity Investors, which led an investor that acquired retailer The Sports Authority for \$1.3 billion. Co-head Jennifer Bellah Maguire led the team in this transaction. Additionally, the firm, led by co-head Michael Greaney, along with Joerg Esdorn, was involved in representing big-ticket client The Carlyle Group when it bought organic recycler Synagro Technologies for \$772 million last April. In other private-equity transactions, the firm has represented Global Innovation Partners, Intel Corporation, Investcorp and Harborside Healthcare Corporation.

Leading lawyers

Jennifer Bellah Maguire
Michael Greaney
Russell Hansen
Edward Sopher

Kirkland & Ellis

Kirkland & Ellis’ private-equity practice is an active one with the firm completing more than 65 deals in the past year. In the first half of 2007, the firm has totalled \$24 billion in private-equity transactions, and that number is expected to rise sharply with the amount of money in the market. “I think it has a very strong private-equity practice, and it has a history that’s been there a long time,” said a competitor of Kirkland & Ellis. In one of the largest leveraged buyouts in the technology sector, the firm advised Bain Capital and Apax Partners with the \$10.5 billion acquisition of semiconductor company NXP from Royal Philips Electronics. The multi-jurisdictional transaction was led by partners Jeffrey Hammes and Matthew Steinmetz.

Although the firm covers more mid-market deals, competitors and clients are very impressed with the firm’s performance. “It has a good representation in the Chicago-based market,” said a partner at another firm. In another leveraged buyout, the firm acted for Madison Dearborn Partners in its \$7.3 billion merger and buyout of technology supplier CDW Corporation last May. In other transactions, the firm has counselled Providence Equity Partners, Vestar Capital Partners and Golden Gate Capital.

Kirkland & Ellis also has a high-quality fund formation practice, representing more than 80 private-equity firms in \$60 billion funds. One of these was the Sun Capital Partners \$6 billion leveraged buyout fund, which was the largest capital fund in South Florida. Another of these included representing Madison Dearborn Capital Partners in creating its \$6.5 billion fund to reduce state taxes. Kirkland & Ellis has also initiated funds for companies such as CVC Capital Partners, Terra Firma Equity Partners and Actera Partners.

Leading lawyers

Bruce Ettelson
Kevin Evanich
Stephen Fraidin
Jeffrey Hammes
Kirk Radke
Matthew Steinmetz
Frederick Tanne
Graham White

Latham & Watkins

Latham & Watkins is building its practice with the hire of two partners from O’Melveny & Myers in the past year. The firm’s respectable transaction and fund formation partners have acted in some robust mid-market deals as well as blockbuster buyouts. In the firm’s biggest deal of the year, Latham was involved in one of the largest leveraged buyouts in US history. The firm represented Harrah’s Entertainment in a

\$27.8 billion buyout offer from Apollo Management and TPG. One partner involved in this transaction who stood out to clients was Charles Ruck in the Orange County Office. As private equity begins to closely resemble M&A, the firm advised KKR, which was part of the consortium that bought Biomet for \$10.9 billion. Charles Nathan and Peter Kerman counseled the private-equity firm.

Nathan also advised Sabre Holdings Corporation when it was acquired for \$5.4 billion by Silver Lake Partners and TPG in March. The company's competitors are privately owned, and the deal allows the company to continue business without public disclosure requirements. Latham & Watkins' total private-equity volume in 2006 reached \$155 billion, reflecting a general growth in private-equity deal value. Other clients the firm has represented include Odyssey Investment Partners, The Carlyle Group and Leonard Green & Partners.

Leading lawyers

David Allinson
Ronald Hopkinson
Peter Kerman
Scott Klein

Ropes & Gray

Recognized for its relationship with Bain Capital, Ropes & Gray sails into the second tier this year with solid partner recommendations and presence on private-equity deals in both transactions and fund formation. The firm has been present in Bain Capital representation on a number of large deals in the transaction side. In the \$33 billion acquisition of hospital company HCA, Ropes & Gray acted for the purchaser Bain Capital. The deal ranks among the largest leveraged buyouts in US history.

In another headline deal, the firm acted for both Bain Capital and Blackstone Group in their \$6 billion purchase of Michael's Stores, which was one of the largest retail acquisitions. The blurring of the line between M&A and private equity can also be seen in Thomas H Lee and Bain Capital's \$18.7 billion acquisition of Clear Channel Communications, which illustrates the trend for large public companies turning private. But the deal also exhibits the tendency towards hybridization, with shareholders having a chance of owning up to 30% of the company. Some of the firm's other highlighted clients on the transaction side are Silver Lake Partners, The Carlyle Group and Apax Partners.

Ropes & Gray's fund formation practice has both international and domestic elements. Some clients the firm has represented in fund formation include Axa Private Equity, Indigo Capital, Greenpark Capital and Clairvest Equity Partners.

Leading lawyers

David Chapin
William Hewitt
John MacMurray
Bradford Malt
William McCormack
Othon Prounis
Alfred Rose
Larry Jordan Rowe
Newcomb Stillwell
Eric Wright

Schulte Roth & Zabel

"Schulte Roth is number one in the world in hedge funds. Its transactions are because hedge funds are doing private equity deals," said a peer when asked about Schulte Roth & Zabel. The firm's reputation among hedge funds branches out into its private-equity practice in both transactions and fund formation. Some consider the firm's marquee deals to be those relating to its client Cerberus Capital Management. In the widely publicized DaimlerChrysler privatization, Schulte Roth represented Cerberus in the \$7.4 billion sale of a majority of Chrysler's interest. The company has a history of restructuring distressed companies and the deal is expected to ease Daimler's burden of the struggling company.

In another Cerberus deal, the firm represented the buyer of a portion of the supermarket chain Albertsons. The \$17.4 billion deal was one of the largest of 2006 and involved multiple acquirers including CVS and Supervalu, with the target becoming the second-largest grocer in the US. The firm's other transaction clients include Castle Harlan, Veritas Capital Management and Pouschine Cook Capital.

In the alternative investing area, Schulte Roth has experience with a number of hedge funds in fund formation. In two opportunities funds, Schulte Roth acted for Black Diamond Capital Management and Wayzata Investment Partners with establishing their respected \$1.1 billion and \$1.2 billion funds. The firm has also helped to organize funds for Oak Investment Partners and LNR Property Corporation, totalling more than \$3 billion.

Leading lawyers

Stephanie Breslow
Stuart Freedman
Benjamin Polk
Paul Roth
Phyllis Schwartz
Marc Weingarten

Simpson Thacher & Bartlett

Simpson Thacher & Bartlett retains its spot ahead of the pack this year with virtually all positive comments from others in the private-equity category. With KKR and Blackstone as

leading clients, there is no doubt that the firm's esteemed client list reflects its transactional and fund formation practice. "Simpson has the blue-chip clients and the volume," said a peer. The firm was named *IFLR's* private-equity team in 2006 and also was involved in the deal the magazine named the top private-equity transaction in 2006. Simpson Thacher represented a consortium of KKR, Bain Capital and Merrill Lynch Private Equity when it bought out HCA for \$33 billion, which at the time was the biggest buyout in the world.

In the \$29 billion First Data Corporation buyout, Simpson Thacher represented KKR in the acquisition that made the company private. In another large take-private, the firm advised long-standing client The Blackstone Group in the \$26 billion purchase of Hilton Hotels. The firm's clients have brought it many important deals in the past year, including both of their landmark initial public offerings (IPOs) in March and April. Star partner David Sorkin has been one of the lead counsels to KKR in its acquisitions and is highly regarded by competitors. One said: "David Sorkin is its big gun."

In further real-estate matters, Simpson Thacher was involved in another representation of Blackstone when it sold Extended Stay America to The Lightstone Group in April. The \$8 billion deal places the hotel chain in the hands of the private real-estate firm. This came after Simpson Thacher advised Blackstone when it acquired Equity Office Properties Trust for \$36 billion. It is said that the firm's representation of its two prime clients constitutes more than two-thirds of its private equity business. "They have a good deep bench," said a peer. "They have a lot of lawyers."

While Simpson Thacher has a premier transactional focus, its fund formation side is equally important. "Tom Bell at Simpson is a very strong fund lawyer, and we see him on deals," said a partner at another firm. The firm's past fund clients include The Carlyle Group, Fremont Partners, Evercore Partners, JC Flowers and Terra Firma.

Leading lawyers

Richard Beattie
Thomas Bell
Richard Capelouto
Daniel Clivner
Charles Cogut
James Cross
Wilson Neely
Philip Ruegger
Glenn Sarno
David Sorkin
Michael Wolitzer

Skadden Arps Slate Meagher & Flom

Many in the industry consider Skadden Arps Slate Meagher & Flom to have a decent private-equity practice, but say that it stems from its powerful M&A franchise. In some of the work it does for Blackstone, the firm acted for a private-equity consortium comprising The Blackstone Group, The Carlyle Group, TPG and Permira Funds when it bought Freescale Semiconductor for \$17.6 billion, taking the company private. Also reflecting an M&A transaction, Skadden acted for Univision Communications when it was purchased by Broadcasting Media Partners in a \$13.7 billion leveraged buyout. The consortium of buyers included Madison Dearborn Partners, Providence Equity Partners, Thomas H Lee Partners, TPG and Saban Capital Group.

In other private transaction, Skadden represented the Dolan Family Acquisition Company when it bought Cablevision Systems Corporation for \$22 billion. The firm was also counsel to Advanced Medical Optics when it acquired Bausch & Lomb for \$5.7 billion. Although the firm lacks a prominent fund formation practice, it still retains quite a few large private-equity clients, such as Fortress Investment Group.

Leading lawyers

Roger Aaron
Joseph Coco
Howard Ellin
Morris Kramer
Peter Krupp
Eileen Nugent
Nick Saggese
Allison Schneirov

Weil Gotshal & Manges

"Its responsiveness is excellent," said a client of Weil Gotshal & Manges. The firm's reputation among others in the practice is that it has a robust private-equity team with activity in some of the better-known deals. Although the firm had a number of partner departures in the last year, its clients still strongly respect those that are at the firm. "Chris Aidun is one of the best," said a client. "He is the main reason we use Weil Gotshal."

Weil Gotshal partners were on some of the headline-grabbing deals in the past year. When Bell Canada Enterprises went private for C\$51.7 billion (\$48.8 billion), the firm represented Teacher Private Capital and the consortium of Providence Equity Partners and Madison Dearborn Partners. This cross-border deal was one of many in the past year across Canada.

Over the past year, the firm's level of activity is obvious when it acted in two significant

deals in one week, totalling more than \$45 billion. When Kinder Morgan went private for \$23 billion, the firm represented senior management at the energy transportation company, including Richard Kinder. In the second deal Archstone-Smith, a Reit, was purchased for \$22.2 billion by private real-estate investor Tishman Speyer Properties and Lehman Brothers. Weil Gotshal was responsible for Lehman Brothers' representation in the latest Reit privatization.

In addition, Weil Gotshal has a broad private-equity fund formation practice, representing a variety of parties. Some of the firm's additional clients include Axa Private Equity, Century Park Capital Partners, Macquarie Bank, UBS Alternative Investment Group, Thomas H Lee Partners and Advent International.

Leading lawyers

David Kreisler
Thomas Roberts
Jeffrey Tabak
Glenn West
James Westra
Barry Wolf

Project finance

Recommended firms

Tier 1

Latham & Watkins
Milbank Tweed Hadley & McCloy
White & Case

Tier 2

Chadbourne & Parke
Simpson Thacher & Bartlett
Skadden Arps Slate Meagher & Flom
Sullivan & Cromwell

Tier 3

Debevoise & Plimpton
Dewey Ballantine
Orrick Herrington & Sutcliffe
Shearman & Sterling

Tier 4

Allen & Overy
Baker Botts
Bingham McCutchen
Davis Polk & Wardwell
Jones Day
Mayer Brown
Vinson & Elkins

Tier 5

Freshfields Bruckhaus Deringer
LeBoeuf Lamb Greene & MacRae
Morrison & Foerster

A hot topic in project finance in the past year has been renewable energy. The US wants to be energy independent, but is also waking up to the reality of global warming, brought to light by scientists and political activists like Al Gore. This has intensified the discussion about the use of clean energy, which is reflected in the list of current project finance deals in the country. The trend of ethanol, wind and solar energy is not new to the world, but it has just blossomed in the US. The development of more nuclear plants is also being mooted, but their success depends on public support. "Nuclear plants are more popular outside the US than they are here, and it's about how people will react to it," said a partner.

While renewable energy steals most of the limelight, the oil and gas business is nowhere near through. "It will still keep us busy," said a lawyer. Fossil fuels are still a path to energy independence, and a better trodden one at that. This work has been particularly abundant in the Middle East and Asia, as well as the Canadian oil sands.

"The question is what will happen with coal," said one lawyer. Coal-fired plant production is still active, but the emissions-heavy industry clearly needs to reform its ways. Some think that IGCC combined-cycle plants, using synthetic gas, may be the answer. This process allows carbon emissions to be more easily captured and disposed of.

Energy is not the only type of project finance making headlines. There has been growth in infrastructure work in the US and abroad, including America's largest toll road privatization. Public-private-partnerships (PPPs) are also in vogue. Some say the money for the constructions of bridges and tunnels is turning private because "private assets equal enormous amounts of money".

Latham & Watkins

"They are head and shoulders above everyone else," said a peer when asked about Latham & Watkins. "I've always been impressed." With an outstandingly broad practice representing a variety of lenders, developers and issuers, the firm has retained its tier one status for yet another year. Although the firm lost Andy Singer, who left to join Energy Capital Partners, the firm keeps its edge in the field. "They lost Andy Singer but are an outstanding firm, more than other firms that I know," said a competitor. William Voge and David Gordon are clear assets to the firm as they received consistent praise from partners at other firms.

Latham & Watkins was present in one of the largest projects in the past year. In the 658MW Plum Point power station development, the firm represented Credit Suisse in

the \$1.3 billion financing, which included a tax-exempt bond offering. In other energy matters, Latham & Watkins acted for Goldman Sachs Credit Partners in financing the \$1 billion Longview Power coal-fired power plant in West Virginia. The project's water supply came from treated-acid drainage from a mine in Pennsylvania. It also transported coal on a six-mile conveyor to the project.

Since renewable energy is a quickly developing industry, Latham & Watkins has remained in the midst of numerous deals, including the \$562 million financing of wind projects in New York. The firm represented Noble Environmental Power with funds used to construct the Clinton, Ellenburg and Bliss wind parks. A partner commented: "They are the people I work with and have been consistently excellent."

In the growing global marketplace, Latham & Watkins is no stranger to international deals. Star lawyer Jonathan Rod, who is admired by both clients and competitors, has done substantial energy work in the US and Latin America. "He came from Milbank, and he gets it," said a client. In Mexico, the firm acted for the New York branch of Norddeutsche Landesbank Girozentrale in the \$800 million financing of the Green Energy Project, a pipeline and natural-gas compressor in Queretaro.

Latham & Watkins has a wide range of clients in energy and infrastructure, both lenders and borrowers, including Citigroup and DZ Bank. A long-standing client said: "We consistently get high-quality work out of them."

Leading lawyers

Joseph Bevasch
Kenneth Blohm
Kelley Gale
David Gordon
Michele Penzer
Jonathan Rod
John Sachs
William Voge

Milbank Tweed Hadley & McCloy

"I like Milbank because they are very business-oriented," said a client. "They have a deep bench." Milbank Tweed Hadley & McCloy is one of the most widely recommended firms in project finance. The firm's worldwide practice involves counselling on a wide number of projects, ranging from energy to infrastructure. It has more than 100 project finance lawyers across the globe, and even though it is so populous, it doesn't skimp on depth. "Bill Bice at Milbank is the smartest lawyer I've ever worked with, and he's a nice

guy," said a partner at another firm, while another said: "They are the people I work with and have been consistently excellent." Milbank's lawyers, who are known for their work among lenders, acted in a transaction which won the *IFLR* project finance deal of the year for the Americas. The firm represented the lenders in the innovative Pocahontas Parkway \$407 million project financing, keeping interest rates low.

In another huge deal in the past year, the Plum Point \$1.3 billion financing, Milbank lawyers counselled Energy Investors Fund for the coal-fired electric plant in Arkansas. Power, energy and utilities chair Edwin Feo received highly positive reviews from clients and peers. "At Milbank, Ed Feo is key," said one competitor. "He's very active and has an extensive practice." Another commented: "Ed Feo has an extremely good reputation. Clients really like him."

Renewable energy has been a powerful topic in the last year and has been continuing to grow. Milbank has followed this trend and acted in significant wind energy deals. Most notable is the \$263 million financing for Horizon Wind Energy, where Milbank represented the lenders, such as Bayern. In January, Feo spearheaded the financing for the Cedar Creek Wind Farm Project in Colorado. He acted for the lenders, including Mizuho Corporate Bank, Bayerische Landesbank and HSH Nordbank. When in place, the farm will supply enough electricity for 120,000 homes. If renewable energy is indeed the future, Milbank will be on top of the game with its deep experience in this field.

The firm's extensive global practice, which also entails mining, has a client list which includes Marubeni Corporation, Lehman Brothers, Padoma Wind Power and Saudi Ethylene and Polyethylene Company. "They understand what we're trying to achieve," said a client.

Leading lawyers

Daniel Bartfeld
William Bice
Richard Brach
Edwin Feo
Jonathan Green
Douglas Harris
Jonathan Maizel
Eric Silverman

White & Case

Known for its international presence, White & Case secures its spot as one of the leading US project finance firms. "Their international footprint works to their advantage," said a peer. The firm represented Saudi Aramco in the largest project financing in Saudi Arabia.

The world's largest oil company, along with Sumitomo Chemicals, participated in the \$9.9 billion financing of developing Rabigh refinery into a petrochemical facility. Christopher Cross worked from the New York office to complete the transaction. In Mexico, star lawyer Art Scavone counselled borrower Technologfa en Nitrogeno in the financing of a Mexican nitrogen plant.

Domestically, White & Case acted for ITR Concession Company in the leasing and operation of the Indiana toll road, a \$3.8 billion privatization, the largest highway privatization in the US. The road will connect with the Chicago Skyway toll road, one of the first to be privatized. "White & Case is very active on big leasing practices," said a competitor.

In the emerging world of renewable energy and ethanol, White & Case was present on the financing of Wheatland ethanol plant project in Nebraska. The firm represented Société Générale as lender to the \$70 million project. It has also advised arrangers on other various ethanol projects in Nebraska and Minnesota. Leading lawyers Scavone and Troy Alexander led these transactions.

White & Case has established a long list of clients. Some of those the firm has represented in the past year include Abu Dhabi Water and Electricity Authority, BNP Paribas, Guinea Alumina Company and Export-Import Bank of the United States.

Leading lawyers

Troy Alexander
George Crozer
Victor DeSantis
Eugene Goodwillie
Alexander Kritzalis
Edward Neaher
Nandan Nelivigi
Alexis Rovzar
Arthur Scavone
Sandra Warren

Chadbourne & Parke

In the busy infrastructure and renewable energy world, Chadbourne & Parke remains a high-quality competitor. "They have tremendous market penetration," said one peer. The firm hired four partners over the past year, three from Morgan Lewis. Clients consider the firm to have an experienced group of partners. "Andrea Satty is very effective in her counsel in terms of getting results," said a client. And peers agree: "Andrea Satty I've worked with and is really outstanding," said one. "She is very effective and has a very good client following."

In the energy sector, Paul Weber led the team at Chadbourne & Parke when it acted for Plum Point Energy Associates in the devel-

opment of an Arkansas coal-fired power station. The company completed the \$750 million financing project and then sold the lease with a \$100 million tax exemption.

Chadbourne & Parke is known for its work in ethanol and represented WestLB in the \$423 million financing of three ethanol facilities in Ohio, Indiana, and Nebraska.

Other clients Chadbourne & Parke has represented in the past year include PPM Wind Energy, Tenaska Power Fund, Rosneft and Duke Energy Corporation. One client said: "Chadbourne has competent people."

Leading lawyers

Todd Alexander
Noam Ayali
John Baecher
Douglas Fried
Kenneth Hansen
Keith Martin
Andrea Satty
Richard Sonkin
Chaim Wachtsberger
Paul Weber

Simpson Thacher & Bartlett

In what has been a very active year in project finance, Simpson Thacher & Bartlett has clearly been at the centre of the industry. With offices in the US, Latin America, and Asia, the firm represents a variety of clients in energy and infrastructure. Peers and clients noted the firm's quality, singling out Ken Wyman for particular praise. Ken Wyman and David Lieberman were the leading lawyers in representing First Reserve Corporation and GenPower Holdings in the Longview coal-fired power plant's \$1.8 billion financing, which included a \$1.1 billion debt package. The West Virginia plant will sell electricity, and Simpson Thacher tends to produce many deals in merchant power.

In infrastructure, Simpson Thacher acted for Montego Bay Jamaica Airports, Vancouver Airport Services and Dragados Concesiones de Infraestructuras in the 30-year concession to improve and operate Sangster International Airport in Jamaica. George Miller and Jaime Mercado worked out of the New York office in the \$173 million transaction. The firm has represented numerous other clients in the past year, such as JPMorgan Chase Bank.

Leading lawyers

Alan Brenner
Martin Jacobson
David Lieberman
George Miller
Kenneth Wyman

Skadden Arps Slate Meagher & Flom

"Skadden has a very good practice in the energy sector," said a competitor. With its reputation among peers and clients, Skadden Arps Slate Meagher & Flom's performance has had consistent quality in the past year, adding to its long-standing reputation in the market. Harold Moore has a tremendous following and is usually the name mentioned when asked about the firm's project finance department. "I think highly of Hal Moore – he does a good job," said a partner from another firm. Martin Klepper was also recommended as one of the firm's top people. As co-head of the department, Moore acted for Citigroup Global Markets and Credit Suisse Securities in the \$1.2 billion financing of Qatar Petroleum.

In energy, Lance Brasher led the Washington DC office when representing Sierra Pacific Resources in the \$3.6 billion coal-fired project in Nevada, which included an 80-mile railroad line. Also, a team led by John Ale acted for ArcLight Capital Partners, which owns a portion of Lincoln Generating Facility, in its refinancing of \$120 million debt from General Electric Capital Corporation. Lincoln owns a gas-fired power station in Illinois. Skadden's work in energy includes representing clients such as Ashmore Energy International, Credit Suisse and Neptune Regional Transmission.

Leading lawyers

John Ale
Glenn Berger
Lance Brasher
Jeffrey Christie
Julia Czarniak
Martin Klepper
Harold Moore

Sullivan & Cromwell

Sullivan & Cromwell's project finance group is particularly strong in the oil, gas and mining sectors, with particular expertise in arranging PPPs. The firm acted for BP Exploration, ConocoPhillips Alaska and ExxonMobil Alaska Production in the financing of a natural-gas pipeline project linking North Slope Alaska to Canada and the US. Frederic Rich is advising the clients out of the New York office and is well regarded in the field.

Although Sullivan & Cromwell is strongest in energy, the firm has made a contribution to recent infrastructure projects and financings. The firm acted for sponsor Tyco Submarine Systems in the \$520 million Global West Submarine Cable project, which will construct an offshore fibre-optic cable. Sullivan & Cromwell's extensive client list reaches globally. Other projects the firm has

had a substantial presence in are the Sweeny Texas Refinery, the PACC refinery project and Frontier Pipeline Company's crude-oil pipeline.

Leading lawyers

Andrew Dietderich
Sergio Galvis
Chris Mann
Frederic Rich

Dewey Ballantine

"Dewey Ballantine is absolutely terrific," said one of the firm's clients. "It's good with client interaction." While small, the firm is seen as having a standout project finance group with expertise in various aspects of the process. The New York office has a substantial practice nationally and also does work in Latin America.

Richard Shutran is the leading light at the firm, receiving an overwhelming amount of praise from clients and peers. "Rich Shutran is very practical and smart but also with an aim to getting the deal done," said one rival lawyer. "People in project finance actually like when things are accomplished. He's a problem solver." Another pointed to Shutran as his favourite lawyer to work with. Clients also thought highly of Junaid Chida, with one saying: "Junaid Chida is a very good leader and very good at managing projects."

Leading lawyers

Betty Cerini
Junaid Chida
Dev Sen
Richard Shutran

Orrick Herrington & Sutcliffe

Orrick Herrington & Sutcliffe's project finance practice stretches internationally, with more than 60 lawyers dedicated to the field. The firm won *IFLR's* 2006 award for the project finance deal of the year, representing Australian toll road operator Transurban in the \$608 million operation and maintenance of the Virginia toll road, otherwise known as the Pocahontas Parkway. Department head Daniel Mathews led the Orrick team in this complex transaction. Mathews was also present in another of the North American transport deals of the year. In the \$4.9 billion financing of the acquisition of a 75-year concession for the Indiana Toll Road, the firm represented the mandated arrangers, Banco Bilbao Vizcaya Argentaria, Banco Santander Central Hispano, BNP Paribas and Caja Madrid. The deal was the largest privatization of a toll road in US history and closed in June 2006.

In energy matters, Christopher Moore was lead counsel on a deal in the budding renewable energy market. Moore acted for Babcock & Brown in the financing of six wind projects in California, Illinois, New Mexico and Pennsylvania.

Orrick's other project finance work has clients in both energy and infrastructure, including Big Rivers Electric Corporation, Great River Energy and Macquarie Corporate Finance.

Leading lawyers

Kyle Drefke
Carl Lyon
Daniel Mathews
Michael Meyers
Christopher Moore

Shearman & Sterling

Shearman & Sterling lawyers are well respected in the project finance field, especially for their work abroad. Clients are pleased with the firm's performance and peers deem them as high-quality competitors. One peer said: "Cynthia Urda Kassis at Shearman is a very good negotiator. She's tough and represents clients well." Kassis and Gregory Tan were lead counsel to arrangers BBVA, Bank of Montreal, Banco Santander, La Caixa and The Royal Bank of Scotland in financing the development of the Canaport liquefied natural gas (LNG) terminal. The \$756 million project is the first LNG receiving terminal built on the east coast of the US in more than 30 years and will deliver gas to New England and Eastern Canada.

In international matters, Shearman & Sterling acted for projects in South America. The firm counselled Calyon Americas as arranger in the \$326 million financing of the Eléctrica Guacolda Project, which is a coal-fired power plant to be constructed in Chile.

Shearman & Sterling is also known for the strength of its work in Japan. Other clients include Mizuho Bank, Mitsubishi Motors and Macquarie Bank. A client said: "Shearman has a pretty good bench," and considered Gregory Tan to be a leading light at the firm.

Leading lawyers

Robert Dineen
Denise Grant
Patricia Hammes
Cynthia Urda Kassis
Jeanne Olivier
Gregory Tan

Other notable firms

Based in Houston, but also with international offices, **Baker Botts's** location places it in the

right setting for one of the leading firms in oil and gas markets. This is an advantage for any project finance team. A peer had particular praise for one of the firm's partners: "Blake Winburne at Baker Botts has a good demeanour. He has a good way with clients."

As companies go green and try to cut their oil and gas addictions, **Bingham McCutchen** is a firm that is able to keep up with the growing renewable energy field. This year, the firm acted for General Electric Energy Financial Services in the \$384 million financing of the Noble Environmental Power wind energy project in New York. It also acted for GE Energy Financial in the selling of its \$60.3 million wind farms in Minnesota and Iowa last May. A long-standing client said: "We've received very good services from them. Tara Higgins has been terrific."

Debevoise & Plimpton has been involved in numerous infrastructure projects and is a strong competitor in this market. The firm advised various lenders on numerous toll road projects including the SH-121 toll road in Texas. The firm also represented JetBlue Airways in the financing of hangar facilities at John F Kennedy Airport in New York. The firm acted for the same airport in the \$1.5 billion financing to construct its fourth terminal. Internationally, Debevoise represented lenders in financing the \$900 million modernization of Brazil's Henrique Lage Refinery, Petrobras's fourth largest refinery.

Mayer Brown is best known for its project work in Latin America. In energy, the firm represented manager ABN Amro Bank in the \$750 million financing of the P-53 oil platform in Brazil, which is one of the largest in the world. In the US, Mayer Brown was another firm working in the historic Indiana Toll Road financing. The firm counselled the Indiana Finance Authority on the largest privatization of a US highway.

Freshfields Bruckhaus Deringer is known globally and is rapidly making a name for itself in the US project finance field. In one of the first greenfield PPP transactions in the country, the firm represented the bidding consortium Morgan Stanley and Morgan Stanley FCC Construcción in the Port of Miami Tunnel Project. Internationally, the firm advised JIBC, Sumitomo Mitsubishi Banking Corporation and Overseas Private Investment Corporation in Jordan's first independent power project, the Amman East project. The gas-fired plant will produce a 20% increase in Jordan's power generation capacity.

Morrison & Foerster is known for its project finance deals on the west coast of the US and internationally, most notably Japan. The firm, which received positive feedback from peers, acted as counsel to Japan Bank for International Cooperation in the financing of

the Cerro Verde Primary Sulfide Copper Mine Project in Peru. Domestically, Craig Mordock led the group in representing EnerTech Environmental in the \$162 million financing of a biosolids processing and disposal facility in Rialto, California.

Restructuring and insolvency

Recommended firms

Tier 1

Kirkland & Ellis
Skadden Arps Slate Meagher & Flom
Weil Gotshal & Manges

Tier 2

Davis Polk & Wardwell
Milbank Tweed Hadley & McCloy
Wachtell Lipton Rosen & Katz
Willkie Farr & Gallagher

Tier 3

Akin Gump Strauss Hauer & Feld
Cadwalader Wickersham & Taft
Jones Day
Latham & Watkins
Paul Weiss Rifkind Wharton & Garrison
Shearman & Sterling
White & Case

Tier 4

Bingham McCutchen
Fried Frank Harris Shriver & Jacobson
Kasowitz Benson Torres & Friedman
Kramer Levin Naftalis & Frankel
Simpson Thacher & Bartlett
WilmerHale

Tier 5

Debevoise & Plimpton
Gibson Dunn & Crutcher
Morgan Lewis
Stroock & Stroock & Lavan

Tier 6

Arnold & Porter
Baker & McKenzie
McDermott Will & Emery
Orrick Herrington & Sutcliffe

Even though there has been a lull in the US insolvency market over the past year, law firms are anticipating a rise in the not-too-distant future. Capital markets and M&A are bullish this year, but lawyers fear this oversupply will lead to problems. "We also are going to see, once the stream of restructurings pick up, some changes in the process that affects the financings," said a partner.

In anticipation, firms are beginning to build up their practices, such as Cravath Swaine & Moore, which never had an insolvency group previously. The firm hired

Richard Levin from Skadden Arps Slate Meagher & Flom. More partners have been shifting around to other firms and hires, and departures are happening more frequently than before. “The general sense is a groundswell of restructuring coming down the pike,” said a partner. Another view of why lawyers are moving at a rapid pace is the sense that the market is small and there is not much work to be done. Seven senior lawyers left Stroock & Stroock & Lavan in one month this past year. Five joined O’Melveny & Myers, and two went to Lovells. Dewey Ballantine hired lawyers from Morgan Lewis and Bingham McCutchen, and four partners joined Cadwalader Wickersham & Taft from Weil Gotshal & Manges. It will be interesting to watch where these new transfers in talent will place the firms over the next few years.

Kirkland & Ellis

Kirkland & Ellis is one of the leading advisers in insolvency and restructuring, having a primary role in some of the biggest deals of the year. Despite rumblings in the practice about the departure of Chicago partner James Sprayregen to Goldman Sachs, the firm was able to beef up its practice with a few additions. Paul Basta joined the firm from Weil Gotshal & Manges last September. One partner called Basta “one of the serious up-and-comers in New York”. The firm grew its practice with the hire of Natasha Labovitz from Gibson Dunn & Crutcher and Helena Huang from Jones Day.

In the sixth-largest bankruptcy in US history, Kirkland & Ellis represented Calpine Corporation in its Chapter 11 restructuring, with debt equalling about \$25 billion as the company continues to run its power plants in the US, Canada and Mexico. In the second-largest Chapter 11 filing in 2006, Bermuda’s Sea Containers filed for bankruptcy protection under US law. Kirkland & Ellis is representing the company, which leases marine cargo and has \$1.6 billion in liabilities.

As the automotive industry in Detroit declines, Kirkland & Ellis is acting for automotive parts maker Collins & Aikman in its Chapter 11 proceedings. The firm is also representing Tower Automotive in its billion-dollar reorganization.

Other clients Kirkland & Ellis has advised in the past year include Dura Automotive, in the third-largest Chapter 11 filing of 2006, and Solutia. A client said: “They did a great and wonderful job through our bankruptcy.” Another client praised David Seligman and Marc Kieselstein for their performances.

Leading lawyers

Paul Basta
Matthew Cantor
Richard Cieri
Theodore Freedman
Marc Kieselstein
James Stempel
Richard Wynne

Skadden Arps Slate Meagher & Flom

As part of the trio with the most market share, Skadden Arps Slate Meagher & Flom retains its tier-one status for another year. While some think the departure of Richard Levin to Cravath Swaine & Moore may hurt the firm, others are confident in its ability to deliver. “Skadden still has a strong practice. Skadden, in terms of market share, is in tier one,” said one peer.

A partner from another firm praised Jack Butler and Gregory Milmoie and said: “The two department heads are good at what they do. Jack is more of a traditional bankruptcy lawyer.” One of the highlight deals of the past year is the firm’s representation of automotive parts maker Delphi Corporation in its Chapter 11 reorganization.

Skadden was involved in the *IFLR* restructuring deal of 2006. The firm, alongside Sidley Austin, acted for Owens Corning in one of the country’s largest restructurings, and emerged out of bankruptcy in October 2006. As part of the plan, the company paid \$5 billion in asbestos claims.

Milmoie led the Skadden team in counselling Refco and a number of subsidiaries in its restructuring, making it the fifth-largest distressed matter in the US, closing last December. “Greg Milmoie at Skadden has a very substantial base debtor practice,” said a competitor. “He’s been around the block and is mature.” The firm also acted for Interstate Bakeries Corporation and a number of subsidiaries in its Chapter 11 reorganization.

Skadden’s long list of clients represented in the past year includes Winn-Dixie Stores, Amkor Technology, Black Diamond Commercial Finance and Harvest Partners.

Leading lawyers

DJ Baker
Jack Butler
Mark Chehi
Van Durrer
Jay Goffman
Gregory Milmoie

Weil Gotshal & Manges

Weil Gotshal & Manges was named the restructuring firm of 2006 by *IFLR* and was

involved in advising Credit Suisse on the Owens Corning restructuring, which became one of the biggest deals of the year. The firm is known for its historic practice, with one competitor noting: “For 40 years, they have been an unchallenged bankruptcy firm.” But the firm received a blow when four of its partners left to work at Cadwalader Wickersham & Taft. Some say the return of Harvey Miller from working at Greenhill & Company will temper the impact since he is known for attracting new business. A partner from another firm said that even though Weil Gotshal has had the departures, “it still has bench strength”.

The firm is known for its debtor work, and acted for Silicon Graphics and its subsidiaries in their Chapter 11 proceedings. Marcia Goldstein and Gary Holtzer led the team on the transaction and were mentioned by partners when discussing the firm. “Harvey and Marcia Goldstein are both talented people,” said one competitor. Another peer said: “When they have Harvey Miller, it’s a serious firm.”

In the widely discussed Delphi Corporation restructuring Weil Gotshal acted for General Motors Corporation, the largest buyer of automotive parts from Delphi. Leading partner Martin Bienenstock headed the firm in this noteworthy restructuring. In the complex Adelphi Communications Corporation restructuring, the firm, led by Bienenstock, helped to recover over \$5 billion in bonds. When asked about Weil Gotshal partners, a client commented: “You’re never dealing with inexperienced people there.”

The firm has completed a number of other restructurings over the past year including one for Armstrong World Industries, Atkins Nutritionals, Galvex Holdings and Loral Space & Communications. A client said: “They really have the deepest and broadest knowledge. They have the manpower to jump on a complex problem quickly.”

Leading lawyers

Paul Asofsky
Martin Bienenstock
Marcia Goldstein
Stephen Karotkin
Harvey Miller
Alfredo Perez
Douglas Urquhart
Michael Walsh

Davis Polk & Wardwell

Known for its creditor counsel, Davis Polk & Wardwell secures its spot with a high level of quality and consistency in its work. Competitors gave much-deserved praise to partner Donald Bernstein, calling him an

“understated, quiet, reasonable, rational lawyer. He does his homework. He’s very good at building consensus.”

Davis Polk was lead counsel to Delta Air Lines’ \$28 billion restructuring, the tenth-largest in US history. The company emerged out of bankruptcy in April after securing \$2.5 billion in financing. “They deserve accolades for that Delta matter,” said a partner in another firm.

Acting as creditors’ counsel, Davis Polk & Wardwell represented Bank of America in Refco’s considerable Chapter 11 proceedings. The company owed \$700 million and ultimately repaid its lenders. In the highly-covered Delphi Corporation Chapter 11 proceedings, Davis Polk acted for JPMorgan Chase in the \$4.5 billion debtor-in-possession financing. Davis Polk recently acted for a number of other creditors including Citibank and Credit Suisse.

Leading lawyers

Donald Bernstein
John Fouhey
Karen Wagner

Milbank Tweed Hadley & McCloy

“Milbank is most likely the firm to represent the creditors’ committee in a mega-case,” said one competitor and, by having that niche, it secures its place as a high-ranking firm. In the Refco restructuring, Milbank advised the official committee of unsecured creditors in the Chapter 11 proceedings. Luc Despains acted in this deal and is praised by fellow competitors. “Luc at Milbank is very successful at getting work,” said one peer. Department head Dennis Dunne fronted the firm by counselling the creditors’ committee when it took part in the highly publicized Winn-Dixie Stores Chapter 11 cases, which came about after poor financial outcomes and led to layoffs and store closures.

“They are clearly a very big player,” said a rival when asked about Milbank. In deals outside of creditors’ committees, the firm represented Cerberus Capital Partners with a potential \$3.4 billion investment to aid Delphi in its reorganization. Additionally, it acted for Silver Point Capital in Granite Broadcasting’s restructuring. Other recent clients have included Deutsche Bank, Merrill Lynch and Radnor Holdings.

As more insolvency lawyers shift to other firms to enhance their teams, Milbank lost partner Susheel Kirpalani, the youngest lawyer elected partner at Milbank, to Quinn Emanuel Urquhart Oliver & Hedges where he is now chairman of its bankruptcy litigation group.

Leading lawyers

Matthew Barr
Luc Despains
Dennis Dunne
Robert Jay Moore

Cadwalader Wickersham & Taft

Cadwalader Wickersham & Taft has had an incredible boost to its growing practice this year, with the hire of four bankruptcy partners from Weil Gotshal & Manges. Deryck Palmer, John Rapisardi, Andrew Troop and George Davis all joined the firm in March, as some say in anticipation of a larger insolvency market in the coming years. The new hires acted in Saint Vincents Catholic Medical Centers of New York’s \$1 billion Chapter 11 proceedings. “They are certainly building up a prominent and busy bankruptcy practice and getting high-profile cases,” said one peer.

Another said: “They were successful in the Northwest Airlines restructuring.” The firm, led by department head Bruce Zirinsky, represented Northwest Airlines Corporation in its bankruptcy matters. Zirinsky was also present in Solutia’s bankruptcy case, representing Pharmacia Corporation to protect its contractual rights. Cadwalader represents a variety of clients, which include Brencourt, Enron Corporation and Barclays Capital.

Leading lawyers

George Davis
Deryck Palmer
John Rapisardi
Andrew Troop
Bruce Zirinsky

Jones Day

Some consider Jones Day’s clients’ loyalty to be the glue that holds the firm’s practice together. A long-standing client said: “I’ve never expected a large firm to communicate that effectively, and they pulled on resources from all over the country. It was just seamless.” The firm had three departing partners over the past year, and peers say Paul Harner’s loss may be felt the most. Harner left in February to join Paul Hastings in its Chicago office. Corinne Ball and David Heiman are leading lawyers who are assets to the firm’s ranking. A client said: “Corrine Ball out of New York is very impressive. She did the good dog-and-pony show and sold us on her expertise.”

In the automotive industry’s wave of insolvencies, Ball acted as leading lawyer in the Dana Corporation’s Chapter 11 proceedings. She, along with Heather Lennox, has aided the automotive manufacturer in the filing as well as implementation of a \$1.45 billion

post-petition financing facility. Kaiser Aluminum, which supplies products for the automotive industry, went through a Chapter 11 case, which closed in July 2006. This case, led by Gregory Gordon, set the precedent of financially troubled companies with multiple pension plans. Gordon was described by a client as “understanding the issues and being able to communicate them effectively”.

A number of cases the firm has dealt with in the past year have included clients such as International Auto Components and FLYi. When asked about Jones Day’s partners, one client said: “They did an outstanding job at directing traffic, and they somehow stayed on top of it.”

Leading lawyers

Corinne Ball
David Heiman
Paul Leake
Heather Lennox

Paul Weiss Rifkind Wharton & Garrison

Paul Weiss Rifkind Wharton & Garrison is acknowledged as “one of the premier bondholders” in the restructuring and insolvency field and has an experienced team of lawyers working on such matters. Competitors and clients recognized growth in the firm’s presence and noted Andrew Rosenberg as one of the group’s celebrated lawyers. “Andy Rosenberg at Paul Weiss is not a national star but a talented guy,” said one rival.

Department head Alan Kornberg has been present on most of Paul Weiss’s insolvency cases in the past year. The firm acted for cushioning producer Foamex International in its Chapter 11 proceedings, attempting to remove \$523 million of outstanding bond debt and cutting interest. Kornberg was also present representing a creditors’ committee of Navigator Gas Transport in its insolvency plan. The plan was rejected by the company, but the firm was successful in pursuing it and passing the plan. Clients the firm has represented in the past year include Oaktree Capital Management, Time Warner Cable and The Capital Group.

Leading lawyers

Alan Kornberg
Andrew Rosenberg
Jeffrey Saferstein

Shearman & Sterling

Shearman & Sterling continues to enjoy a spot as one of the competitors in national and international insolvencies. Although some lawyers from other firms think the practice is

shrinking, clients are pleased with the firm's performance. "They came in well prepared with good understanding of opportunities and risks," said a client. In Remy International's \$700 million debt restructuring, partners Douglas Bartner and Michael Torkin are helping the company reorganize. When asked about Shearman & Sterling lawyers, a peer said that Bartner was "well thought of" in the practice. A client also thought Torkin was effective in organizing his deal: "He had excellent knowledge of the relevant case law, and was able to quickly come to conclusions to help us move forward."

When Northwest Airlines filed its highly publicized Chapter 11 case, the lawyers at Shearman & Sterling represented Citibank, which acted as the lead arranger in the \$1 billion debtor-in-possession financing, which closed last May. Star lawyer Andrew Tenzer led counsel to Citibank.

In Shearman & Sterling's international matters, James Garrity of the firm's New York office was lead counsel to Compañía de Alimentos Fargo in the involuntary Chapter 11 case, worth \$160 million.

A few of Shearman & Sterling's other clients in the past year have been Oneida, Rothschild, and KPMG London. A client said the firm's lawyers were "highly sensitive to the business issues at hand and very pragmatic".

Leading lawyers

Douglas Bartner
James Garrity
Andrew Tenzer

White & Case

White & Case continues to be present on insolvencies and restructurings both in the US and internationally. With 150 insolvency lawyers acting in 25 countries, the firm has 50 based in the US alone. New York is the firm's head office, yet it has offices in Washington DC, Florida and California. Peers think the firm's "strong practice" places them in the running to be a substantially successful bankruptcy firm. In the large Delphi insolvency, White & Case advised Appaloosa Management and Harbinger Capital Partners, who own a portion of Delphi. These companies, along with Cerberus, UBS and Merrill Lynch, have agreed to invest \$3.4 billion of equity into the insolvent company.

In one of the largest insolvencies in US history, the firm acted for Arahova Noteholders' Committee, a primary stakeholder in the Adelphia Communications Chapter 11 case. The firm was able to produce a settlement, entitling the Arahova Noteholders' Committee to a \$2 billion improvement in the change of initial recoveries. In another

large drawn-out restructuring, White & Case represented energy mogul Mirant Corporation, which had almost \$10 billion in debt. The firm devised a strategy to cut the debt in half, and the company was out of bankruptcy in 2006.

White & Case's clients said they are happy with the firm's services. Other clients the firm has represented include The Bank of New York, Enpower, Bank of America and General Electric Capital Corporation.

Leading lawyers

Sam Alberts
Craig Averch
Alan Gover
Evan Hollander
Thomas Lauria

Other notable firms

Bingham McCutchen is known for its international work and for representing creditors' committees. The one huge case the firm has been present in this past year is the Refco insolvency. The firm helped the trustee of Refco Capital Markets reach a settlement for the insolvent company. Although Bingham McCutchen lost co-head Evan Flaschen, the firm has welcomed a number of new partners to join its team of 100 insolvency and restructuring lawyers.

Recognized for its national practice, **Debevoise & Plimpton** has had a role in a few of the larger insolvencies of the year. The firm represented an aircraft financing counsel in the American Airlines and Delta Airlines restructuring. Internationally, the firm represented Brazilian media conglomerate Globo Comunicações e Participações in its restructuring which included \$1.3 billion of international bond and Brazilian bank debt.

Steven Gross heads the insolvency group which represents other clients such as Wheeling-Pittsburgh Steel Corporation and Republic Health Corporation.

Gibson Dunn & Crutcher's insolvency and restructuring practice is led by partners Jonathan Landers and Michael Rosenthal. Natasha Labovitz left to join Kirkland & Ellis in February, but the firm has gained Robert Cunningham from Jones Day and Nicholas Politan from Bingham McCutchen. Landers headed the Gibson Dunn team in representing Twentieth Century Fox in Granite Broadcasting Corporation's bankruptcy, worth between \$480 million and \$630 million. In the past year, the firm has represented clients such as The Shaw Group and ResMAE Mortgage Corporation.

When asked about **Arnold & Porter**, a peer said: "They know their way around a courtroom." The firm was present in the sec-

ond successful US Airways restructuring. Arnold & Porter also claims recognition for representing creditor Washington Corporations of copper producer Asarco in one of the most complex environmental bankruptcies in the US.

Joseph Samet and Ali Mojdehi head the **Baker & McKenzie** global and North American insolvency and restructuring practice. Acknowledged for its work in Latin America, the firm represented creditors Popular Valores Puesto de Bolsa as part of Refco's complex restructuring, which was settled in December 2006. Baker & McKenzie has represented both creditors and insolvent companies over the past year, including The Bank of New York, Satellites Mexicanos and Dana Corporation.

Peers deem **Orrick Herrington & Sutcliffe's** insolvency department head Roger Frankel a "very talented guy and very well respected". He was the leading partner in representing creditor Cooper Industries in automotive parts distributor Federal-Mogul Corporation's \$750 million restructuring. In the high-profile Kaiser Aluminum Chapter 11 case, Orrick lawyers acted for the Official Committee of Retirees, who will become majority owners of the reorganized company's stock to compensate for their loss of medical insurance. In other insolvencies and restructurings over the past year, the firm has represented several clients including Potomac Electric Power Company and the Official Committee of Equity Security Holders of USA Capital Diversified Trust Deed Fund.