

SNL 2008 League Tables: Specialty finance M&A weathers credit crunch

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By Frayser White

Citigroup Global Markets Inc. finished atop SNL Financial's 2008 league tables for the most active financial advisers in the specialty finance space after notching 10 deals, including both whole and asset transactions, during the year.

Serving as an adviser to affiliates of parent Citigroup Inc. on three of the deals, the New York-based group found itself at the center of an effort to reduce the size of the company's balance sheet amid unprecedented credit losses.

The in-house work helped Citigroup Global Markets move ahead of Milestone Advisors LLC, the latter finishing in second place among financial advisers ranked by deal volume. While Milestone Advisors relinquished the first-place standing it held at the end of 2007, it kept alive a five-year run of finishing first or second relative to deal volume.

Specialty finance financial adviser rankings				
Year-end 2008				
2008Y rank	2007Y rank	Firm	Number of deals	Total deal value (\$M)
Ranked by deal value				
1	1	Banc of America Securities LLC*	5	7,747.4
2	2	J.P. Morgan Securities Inc.	6	6,017.3
3	5	Citigroup Global Markets Inc.*	10	2,738.6
4	5	Morgan Stanley	2	1,800.0
5	14	Piper Jaffray & Co.	1	1,500.0
6	28	UBS Investment Bank	2	1,483.0
7	9	Lazard Freres & Co. LLC*	3	1,214.1
8	11	Goldman Sachs & Co.*	2	1,100.0
9	12	Milestone Advisors LLC*	7	969.9
10	NR	Allen & Co. LLC	1	945.0
Ranked by number of deals				
1	10	Citigroup Global Markets Inc.*	10	2,738.6
2	1	Milestone Advisors LLC*	7	969.9
3	3	J.P. Morgan Securities Inc.	6	6,017.3
4	2	Banc of America Securities LLC*	5	7,747.4
5	NR	Keefe Bruyette & Woods Inc.*	3	34.0
5	7	Lazard Freres & Co. LLC*	3	1,214.1
5	NR	Stifel Nicolaus & Co. Inc.*	3	586.9
8	10	Blackstone Advisory Services LP	2	277.1
8	10	Colonnade Advisors LLC*	2	NA
8	17	Goldman Sachs & Co.*	2	1,100.0
8	NR	Morgan Keegan & Co. Inc.	2	10.0
8	17	Morgan Stanley	2	1,800.0
8	NR	Oppenheimer & Co. Inc.	2	256.2
8	NR	Sandler O'Neill & Partners LP*	2	34.0
8	NR	Stephens Inc.	2	81.4
8	17	UBS Investment Bank	2	1,483.0

*Deal value for at least one deal is not available.
 NR = not ranked, NA = not available
 Year-end data is as of Dec. 31. 2007Y rankings recalculated as of Jan. 7, 2009.
 If a whole-company M&A transaction was completed on or before Jan. 5, 2009, between two advisers, the target's deals were allocated to the buyer.
 Based on announcement deal values. Terminated deals are not included.
 Includes whole and asset deals. In-house advisers are included.
 Source: SNL Financial

Even as a global credit crunch weighed on the total number of specialty finance M&A transactions in 2008, a few large asset sales helped push the aggregate deal value well above levels seen in the previous year. According to SNL data, the number of 2008 deals, taking into account both whole and asset transactions, fell well short of the numbers seen in the prior year, with the total number of deals coming in at 128, compared to 198 in 2007, but aggregate deal value rose to approximately \$47.92 billion, exceeding the \$18.32 billion total of a year ago.

Banc of America Securities LLC, which received credit for advising on five specialty finance M&A deals in both 2007 and 2008, came out on top among financial advisers ranked by aggregate deal value. In acquiring Merrill Lynch & Co. Inc., Banc of America Securities ultimately gained credit for advising on Merrill's sale of \$30.6 billion worth of U.S. super senior collateralized debt obligations of asset-backed securities to Lone Star Funds for \$6.70 billion, or about 22 cents on the dollar.

Merrill, now part of BofA, provided financing to Lone Star for about 75% of the purchase price and will be on the hook for the assets if the private equity fund goes under. The recourse on the loan was limited to the assets of the purchasing fund, with the fund owning only the assets associated with the deal.

Lone Star lassoed Merrill's CDOs less than a month after pocketing \$9.3 billion in assets related to CIT Group Inc.'s home lending unit for \$1.5 billion.

Piper Jaffray Cos. advised the Dallas-based private equity group on the CIT transaction, placing it fifth on the league table for financial advisers ranked by deal value.

While asset sales represented some of the biggest specialty finance transactions of the year, whole business deals were instrumental in the success of some advisers in the 2008 league tables, including Milestone Advisors, which counted seven such deals valued at \$969.9 million.

"There will continue to be tremendous amounts of dislocation, and there will continue to be all sorts of assets and operations hitting the street for sale," Tim Stute, a managing director with Milestone Advisors, told SNL. "Whether banks or independent finance companies, there will be those that have to unload assets or exit lines of business because of liquidity issues, funding issues or credit issues."

Jeffrey Levine, also a managing director with Milestone Advisors, said the firm is becoming more selective in taking on new deals. "Our phones are ringing off the hook in terms of clients looking for help," he said. "We are seeing a convergence of our three client bases — banks and thrifts, specialty finance and financial sponsors — with our three areas of practice: M&A, corporate finance and restructuring."

Despite recent dislocations in global credit markets, private equity players and hedge funds are still active in pursuing deals within the specialty finance space, Levine said, pointing out that the largest asset transactions of 2008 were aimed at "hedge fund-like" returns. "Sellers are becoming more creative to maximize value, and especially where capital and liquidity has been shored up, we are seeing a trend toward seller financing, joint ventures and loss-sharing structures. In many of these asset sales, a buyer can get the accompanying operating business or platform at book or a discount to book and fully position themselves for future recovery in the sector."

By far, the biggest specialty finance deal of the year having an announced value was UBS AG's \$15 billion sale of subprime and Alt-A mortgage securities to BlackRock Inc.

The fund purchased the securities using about \$3.75 billion in equity raised by BlackRock from investors and a multiyear collateralized term loan of about \$11.25 billion provided by UBS.

Skadden Arps Slate Meagher & Flom LLP served as a legal adviser to BlackRock, helping the New York-based law firm take the top spot among legal advisers ranked by aggregate deal value. Skadden Arps also advised Lone Star on its purchase of CIT's home lending business. *i*

Specialty finance legal adviser rankings Year-end 2008

2008Y rank	2007Y rank	Firm	Number of deals	Total deal value (\$M)
Ranked by deal value				
1	3	Skadden Arps Slate Meagher & Flom LLP et al	2	16,500.0
2	10	Latham & Watkins LLP	2	6,345.0
3	NR	Sidley Austin LLP*	5	2,115.0
4	49	Cleary Gottlieb Steen & Hamilton LLP	2	1,860.0
5	NR	McKee Nelson LLP	2	1,800.0
5	8	Wachtell Lipton Rosen & Katz	2	1,800.0
7	17	Hunton & Williams LLP*	4	1,510.0
8	NR	Stradley Ronon Stevens & Young LLP	1	1,490.0
9	7	Weil Gotshal & Manges LLP	2	1,148.1
10	49	Jones Day	1	1,143.6
10	23	Manatt Phelps & Phillips LLP	1	1,143.6
Ranked by number of deals				
1	NR	Sidley Austin LLP*	5	2,115.0
2	2	Hunton & Williams LLP*	4	1,510.0
3	2	Sullivan & Cromwell LLP*	3	NA
4	NR	Baker & McKenzie	2	122.1
4	17	Cleary Gottlieb Steen & Hamilton LLP	2	1,860.0
4	17	Clifford Chance LLP	2	249.7
4	NR	Ice Miller LLP	2	586.9
4	NR	Kirkland & Ellis LLP	2	266.5
4	5	Latham & Watkins LLP	2	6,345.0
4	NR	McKee Nelson LLP	2	1,800.0
4	1	Skadden Arps Slate Meagher & Flom LLP et al	2	16,500.0
4	NR	Thacher Proffitt & Wood LLP*	2	NA
4	17	Wachtell Lipton Rosen & Katz	2	1,800.0
4	10	Weil Gotshal & Manges LLP	2	1,148.1

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