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The Dodd-Frank Act: when will we know if it's working?

Meg Tahyar
Davis Polk & Wardwell
New York

As the largest transformative change in US financial regulation since the Great Depression, aka the Dodd-Frank Act, enters its second year, the political, popular and media debate about it has, if anything, intensified.

There are many reasons for the continued controversy about its effectiveness. but prime among them is that the Act is not a cohesive whole. Instead, it covers at least a dozen unrelated areas of financial regulation. These many different silos means that there is a natural tendency for any one person to view the entire Act through the prism of his or her own particular business, legal or political silo.

In this respect, the Act is like the old fable of six blind men who were led up to an elephant and asked to describe it. The six men perceived the elephant to be a wall, a snake, a spear, a tree a fan or a rope. In some versions of the fable, a wise king resolves the dispute by explaining to the six men that each of them understood only a part and each of them is right. In other versions of the fable, the conflict is never resolved. Of course, in our times, we must also add to the tale, the fact that the different blind men each have different interests at stake both in perceiving and in reporting their perceptions and so resolution by a wise king is not going to be the way that the Dodd Frank tale ends.

Instead, we will have the cacophony of different interests analysing and describing different topics. My list of the topics that have gathered the most attention during the last year is as follows:

- Enhanced prudential regulation, including increased capital, of systemically important banks and non-banks and a resolution authority, all designed to mitigate or solve the moral hazard of too big to fail and the risk that taxpayer money might be used for a bailout.
- The outline of what will become an entirely new regulatory and market infrastructure for derivatives, focused on counterparty risk reduction and transparency.
- The creation of an entirely new regulatory agency for consumer financial products.
- Enhanced regulation of the investment advisors of hedge funds and private equity funds.
- Enhanced regulation of credit rating agencies and the diminished use of ratings in regulations.
- A whistleblower regulatory regime for violations of the US securities laws.
- The creation of a new standard of care for investment advisors.
- Changes in corporate governance including proxy access and more say on pay.
- Reform of standards and disclosure for mortgages, including a skin in the game requirement and changes to the asset-backed securities regulation.
- Enhanced disclosure of activities related to conflict minerals.
- Minor steps in the direction of some federal regulation of insurance.
- Enhanced regulation of the municipal securities market.
- Enhanced regulation of bank holding companies, including activities restrictions in the Volcker Rule and increased regulation of interaffiliate transactions.

A key insight from this list, which is surely incomplete, is that many of the key topics that Dodd-Frank has required regulators, financial institutions, companies and other stakeholders to spend their time on over the last year have no relationship with one another except, perhaps, in a very general sense which is useless for a real analysis of the policy benefit and cost.

There is no real relationship between increased disclosure on conflict materials, whistleblowing rules, the creation of a federal office of insurance, corporate governance across all listed companies, enhanced consumer regulation and increased registration of investment advisors of private equity and hedge funds. While there is, of course, a relationship among the many provisions related to the causes of the last financial crisis, which are designed to lower systemic risk in the system, there has so far been little thought to the interaction of these provisions, proposed or finalised, with one another.

It is helpful to keep in mind, therefore, that there is not one Dodd -Frank but many. As a result, in order to assess whether or not the Act has worked as intended or, whether those provisions not yet implemented will work, requires assessing each major severable topic of enhanced or new regulation individually against its costs and benefits and, for those that relate to one another, alongside the regulations with which each Dodd-Frank cone shares a common policy goal.

In most cases, it is too early to tell since the Act, despite its 880 pages, is largely a general blueprint for regulatory action over an extended period of transition and implementation rather than, as many imagined, a detailed set of prescriptions. The second year of Dodd-Frank – which is likely to see more court challenges to the regulations, more divided decisions by regulators and a greater emphasis on the economic costs and benefits of the regulations being put into place – will begin to set the stage for our ability to answer the question: Did Dodd-Frank work? It is likely, however, that the ultimate answer will be known for at least five years.

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
Sidley Austin
Weil Gotshal & Manges
Tier 4
Debevoise & Plimpton
Dewey & LeBoeuf
Fried Frank Harris Shriver & Jacobson
Gibson Dunn & Crutcher
Kirkland & Ellis
Mayer Brown
Milbank Tweed Hadley & McCloy
Tier 5
Morrison & Foerster
O'Melveny & Myers
Paul Weiss Rifkind Wharton & Garrison
White & Case
Tier 6
Baker Botts
Jones Day
King & Spalding
Vinson & Elkins
Wilson Sonsini Goodrich & Rosati

Capital markets - high-yield debt

Recommended firms
Tier 1
Cahill Gordon & Reindel
Tier 2
Cravath Swaine & Moore
Davis Polk & Wardwell
Latham & Watkins
Shearman & Sterling
Tier 3
Simpson Thacher & Bartlett
Skadden Arps Slate Meagher & Flom
Weil Gotshal & Manges
Tier 4
Cleary Gottlieb Steen & Hamilton
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

After a slow recovery from the crisis, the US capital markets are starting to gain momentum. Whilst transactions are skewed towards the mid-market for many firms, most report that the volume of deals has picked up over the last year. Low interest rates have made it an attractive time for companies to borrow, and as a result of high liquidity, there is no shortage of lenders. However, the markets have been hit by several curveballs, in the form of US deficit discussions, the European debt crisis, disruptions in the Middle East and the earthquake, tsunami and subsequent nuclear spill in Japan. As a result, it has been a bumpy ride for capital markets lawyers. "It was a tough year last year, but there's been a lot of excitement," says one partner.

The surge in liquidity was partly due to the Federal Reserve's quantitative easing programs, which kept cash flowing through the markets for most of 2010 and the first half of 2011. QE1, which ran from November 2008 to March 2010, involved the Fed purchasing $175 billion of agency debt securities and $1.25 trillion of mortgage-backed securities, in addition to purchases of Treasuries. It was followed by QE2, which started in August 2010, when the Fed began reinvesting principal payments it had acquired during QE1 in longer-term Treasury securities. By November 2010, the central bank had decided to purchase $600 billion of long-term US Treasury bonds. QE2 came to an end in June 2010, and with no plans announced for QE3 at the time of going to press, there has been widespread speculation about the effects this will have on the markets. By increasing demand, QE2 also contributed to the vibrancy of the bond market, which has been flourishing. "I think the bond market will continue to be strong for the next couple of years," says one attorney.

Despite Standard & Poor's downgrade of the US credit rating in August 2011, demand for long- and medium-term Treasury bonds unexpectedly rose in the days following the demotion. With the stock market in turmoil, investors flocked to the relative safety of Treasury notes. The reduction from impeccable AAA status to AA+ followed months of political debate over how to fix the country's budget deficit, and a last-minute compromise which was unsatisfactory to many parties on all sides of the debate. The downgrade was met with outrage from politicians and businesspeople, who pointed to a $2 trillion error in Standard & Poor's initial calculations of the country's projected debt-to-GDP ratio. With interest rates kept artificially low, yield-hungry investors have also turned to the stock market for greater returns. Although conditions have been volatile, multiples have been rising, and some lawyers express surprise at the return of dividend deals. "Interest rates are low - that's driving the multiples above where they should be because people have nowhere to put their money," says one practitioner.

The IPO market has also become more active, although lawyers report some fits and starts. Deal flow has been hampered in some cases by what buyers perceive as unrealistic asking prices. Whilst stocks have risen, most have not yet returned to pre-2007 levels. This has caused tension between sellers, who believe their companies are undervalued in relation to earning potential, and buyers, who believe asking prices are steep in view of current market conditions.

Unsurprisingly, lawyers report that the high-yield market is "as hot as it's ever been". "It's very difficult to find a good return, so there's a lot of money flowing into the high-yield market," says one attorney. "High-yield transactions started to come back late 2009, early 2010. Everyone assumed that when the banking market got hot that would take some of the steam out of the high-yield market, but that hasn't happened. A lot of bond holders got money from refinancing and they pumped it back into the system."

As borrowers sought to take advantage of low interest rates, attorneys enjoyed what one describes as "an enormous wave" of recapitalisation and refinancing work. Companies which were starved for capital during and immediately after the economic crisis began fundraising frantically as the markets opened up over the last year. "Some issuers have anticipated future funding issues and so have funded themselves," says one partner. "That's going to provide a lot of companies with a cushion in case rates start to rise." Lawyers note that they are also seeing more LBOs, although these have not yet returned to pre-crisis peaks.

Going forward, attorneys cite uncertainty as the biggest issue. "People are worried that interest rates are going to rise, and about problems in the world causing problems in the capital markets," says one lawyer. "Every deal is a race to get it done as quickly as possible." With debt still hanging over the real estate sector, rising interest rates could push some borrowers into default, which may put pressure on portfolio estates and have far-reaching ramifications. "Volatility in the market and the fear about a double-dip recession and housing issues are going to continue to be the biggest challenges," says another partner. "I think there's going to be a real flight back to quality as a result of the instability."

Cahill Gordon & Reindel

With what one rival describes as "kind of a monopoly in the market for high-yield leveraged debt", Cahill Gordon & Reindel continues its reign as the sole occupant of tier one in the high-yield rankings. According to research by Bloomberg, the firm enjoyed a 36% share of the US high-yield debt market, advising underwriters in nearly 200 deals that generated more than $95 billion in aggregate proceeds. "Cahill is far and away the market leader in terms of volume and deals," says another peer. "They focus their corporate practice primarily on doing high yield, and they have got a great foothold there."

Competitors identify partner Douglas Horowitz as a rising star. "He's up-and-coming," says one practitioner. "He's one of those guys you will hear more about." Another lawyer, who has sat across the table from Horowitz, says, "He was very practical, was willing to give tough advice to his client to make sure we did the deal the correct way, and he was very knowledgeable in securities law."

Notable transactions include Cahill's work on the widely-publicised $5.3 billion buyout of Del Monte Foods, by a group of private equity companies led by KKR. The firm represented the initial purchasers, led by Merrill Lynch, Morgan Stanley, Barclays Capital, and JPMorgan Securities, in the $1.3 billion offering of senior notes by KKR affiliate Blue Merger Sub. Cahill also represented JPMorgan Chase Bank as administrative agent, and arrangers including JPMorgan Securities and Merrill Lynch, on $2.7 billion of secured credit facilities to partially finance the acquisition.

Cahill also has a strong presence in the equity space. The firm worked on the IPO of hospital operator HCA Holdings, which was valued at around $4.35 billion and was reportedly the largest private equity-backed IPO in US history. Cahill represented Bank of America Merrill Lynch, Citi and JPMorgan as underwriters. The firm also represented the underwriters and affiliates of the underwriters in bank and bond financings for the 2006 LBO of HCA, and subsequent debt financings.

Leading lawyers

James Clark
William Hartnett
Douglas Horowitz
Jonathan Schaffzin
Daniel Zubkoff

Cravath Swaine & Moore

As a small but powerful force, Cravath Swaine & Moore is regarded by peers as the Napoleon of law firms in the capital markets. "You're not going to see the volume of deals at Cravath, but you're going to see the quality," says one rival. Competitors note that the firm's team includes "some of the leaders in the securities area" and is "competitive across a range of products".

The securities team is led by William Whelan, who was singled out for praise by peers. "He's a terrific, well-rounded lawyer on the debt and equity side," says one competitor. "He's all over all aspects of the deal. I usually see him on the underwriter side and I have a lot of confidence in his abilities." In June 2010, partner Ronald Cami left Cravath to join private equity firm TPG as a general counsel. In December that year, prominent partner Gregory Shaw retired from the firm.

In May 2011, Cravath advised on the $7.5 billion registered secondary stock offering of The Mosaic Company, a producer and marketer of agricultural products. The firm represented the underwriters, led by Credit Suisse, JP Morgan and UBS Investment Bank. The shares were listed on the NYSE.The firm also advised clients in Lion Capital's acquisition of Bumble Bee, the largest producer of canned seafood in North America. Cravath represented the initial purchasers, JPMorgan, Wells Fargo Securities, Barclays Capital and Jefferies & Company, on the $605 million high-yield senior secured debt offering of Bumble Bee Acquisition. The company was merged into Bumble Bee Holdings, a wholly-owned subsidiary of Bumble Bee Foods.

Leading lawyers

Craig Arcella
Stephen Burns
William Fogg
Andrew Pitts
William Rogers
William Whelan

Cleary Gottlieb Steen & Hamilton

As "a wonderful international shop" with a top-of-the-range debt and equity practice, Cleary Gottlieb Steen & Hamilton commands the respect of peers and clients. Competitors describe the firm as a leader in the convertible debt market, while customers appreciate the attentiveness of its partners. "They are absolutely accessible and responsive," says one client. "When we are on an active matter, I have access to the partners who are responsible – no matter what time of the day or night."

Competitors identify "senior statesman" Alan Beller, a former director and senior counsellor at the Securities and Exchange Commission, as a driver of the firm's success. "If there's ever a cutting edge issue, he's usually on it," says one peer. "He's a terrific lawyer and he knows his stuff." In September 2010, partner John Palenberg transferred to Cleary's New York branch after practicing in the firm's offices in England and Germany.

In September 2010, the firm advised Petrobras in its $67 billion SEC-registered global equity offering, the largest ever. Petrobras will use part of the proceeds to pay $42 billion to the Brazilian government for the right to extract up to five billion barrels of oil equivalent from Brazil's presalt layer. With Petrobras being partially government-owned, the deal received increased scrutiny, particularly in connection with its use of the proceeds.

The firm has also worked on several matters related to Citigroup's recovery from the financial crisis. These included advising underwriters led by Morgan Stanley in the $10.5 billion SEC-registered offering of Citigroup common stock in December 2010. The stock was acquired by the US Department of the Treasury under the Troubled Asset Relief Program (TARP).

Leading lawyers

Alan Beller
Craig Brod
Raymond Check
Sandra Flow
William Gorin
Jeffrey Karpf
Leslie Silverman

Davis Polk & Wardwell

Davis Polk & Wardwell has what one competitor describes as "the best all-round practice" in capital markets. Its partners have long been "the go-to people" in debt and equity, according to competitors. The firm also climbs a tier in this year's high yield rankings, following widespread feedback about its flourishing practice. "Davis Polk has been putting in more of an effort in high yield, and more resources," says one competitor.

Davis Polk has earned a reputation as a pioneer, with some of the largest and most complex high-yield offerings in history under its belt. The firm advised issuer Freeport McMoRan, an international mining company, on the largest high-yield debt deal ever. Its partners also helped pioneer the technique of privately placing notes under Rule 144A and following with a registered exchange offer - a strategy now used in the majority of all high-yield financings. "I am a big fan of Davis – they do great work," says one client. "I think their lawyers are exceptionally capable and loyal."

The firm also advised the underwriters on the $23.1 billion initial public offering of General Motors Company, the largest-ever IPO. As selling shareholders, the US Department of the Treasury, Canada GEN Investment Corporation and UAW Retiree Medical Benefits Trust sold common stock of General Motors, and General Motors sold shares of its 4.75% Series B mandatory convertible junior preferred stock. The deal closed in December 2010 and included a simultaneous registered public offering in Canada, a directed share program, and private placements in over 40 jurisdictions around the world.

Leading lawyers

Bruce Dallas
Alan Denenberg
Michael Kaplan
Richard Sandler
Richard Truesdell

Sullivan & Cromwell

Sullivan & Cromwell has played a role in the development of the capital markets in the United States for nearly a century. The firm is known for its innovation and work on some of the largest and most interesting deals. "Sullivan & Cromwell tends to do larger, Fortune 50-type transactions," says one competitor, while another notes that the firm is "probably most known for IPOs and equity offerings."

The firm frequently represents financial institutions, and has an impressive volume of work in this area. It has recently been advising companies such as Chrysler and AIG on transactions designed to help fully or partially repay their obligations to the US Treasury. "They are very quick in their turnaround," says one client. "They are very well-versed in law and they have always satisfied us."

In July 2011, Sullivan & Cromwell advised Goldman Sachs on its SEC-registered offering of $2.5 billion principal amount global notes, which are due in 2016.

On the high-yield side, it represented Cablevision in the media provider's SEC-registered offering of $1.25 billion of dual-tranche, high-yield senior notes.

Leading lawyers

Jay Clayton
Robert Downes
Neal McKnight
Scott Miller
Andrew Soussloff
Mark Welshimer

Latham & Watkins

Described as "a high yield factory" by peers, Latham & Watkins continues to be a strong contender in capital markets. The firm has helped raise billions of dollars for companies in every industry, and its capital markets practice is supported by over 2,000 attorneys around the world. "Latham is a market leader on the underwriter side and also has an issuer side," says one competitor. Another peer notes that partner Kirk Davenport is an experienced lawyer, who "has always had a great marketing edge."

The firm represented clients on $327 billion in debt offerings and $38 billion in public equity offerings in 2010, including over $10 billion in IPOs. In the high yield space, it advised on more than $62.6 billion in high-yield corporate debt issued in 2010.

The firm recently advised Barclays bank on a $3.5 billion Rule 144A/Reg S investment-grade bond offering by Williams Partners.

Leading lawyers

Kirk Davenport
Marc Jaffe
Raymond Lin
Mark Stegemoeller

Shearman & Sterling

Shearman & Sterling has a world-renowned capital markets practice, and has worked on some of the most complex and innovative transactions for over 100 years. "We see them on a lot of deals," says one peer. Competitors note that Shearman is a particularly strong on transactions with a Latin American component, and the firm counts the first registered IPO of a Brazilian company with the US SEC amongst its achievements.

The firm has strong ties with the SEC. A number of partners previously held positions within the organisation, giving the firm's team useful insights in the current regulatory environment. In March 2011, partner Lona Nallengara left to join the commission.

In a deal which closed in September 2010, Shearman & Sterling advised on the $67 billion Petrobras offering, the largest in history. The disclosure issues faced by the company were complex, because Petrobras is a huge company and is partially owned by the Brazilian government. Petrobras will use $42 billion of the money from the sale to buy rights to extract up to five billion barrels of oil from waters off the coast of Brazil from the country's government. Shearman represented underwriters Bank of America Merrill Lynch, Bradesco BBI, Citi, Itau BBA, Morgan Stanley, and Santander.

The firm also represented Citi, Credit Suisse, Deutsche Bank Securities, JPMorgan and RBS as joint book-running managers in a registered shelf takedown of investment-grade notes by American Tower Corporation. The $1 billion deal closed in December 2010.

Leading lawyers

David Beveridge
Robert Evans III
Lisa Jacobs

Simpson Thacher & Bartlett

Simpson Thacher & Bartlett is involved in some of the most demanding securities matters in the US, including AIG, Enron, HealthSouth and the IPO allocation cases. The firm represents major financial firms along with Fortune 500 corporations and their officers and directors. Competitors note that it has particular expertise in issuer-side work, where "they have the most active practice", according to one peer. The firm's capital markets work benefits from its dominance in private equity.

The firm has a reputation for nurturing talent. One rival identifies partner John Ericson as an up-and-coming star. "He's a young guy but I think he's good," says the competitor. In January 2011, Igor Fert, who advises investment banking clients on underwritten offerings of debt and equity securities, was promoted to partner. Clients say they appreciate Simpson's "prompt", "insightful" and "accurate" advice.

The firm recently represented HCA Holdings, the largest non-governmental hospital provider in the US, in the largest-ever IPO backed by private equity in the US. The $4.35 billion offering of common stock for the company closed in March 2011. This followed a complex series of transactions, including corporate reorganisation, to enable it to complete a dividend recapitalisation. Following the reorganisation, HCA Holdings issued $1.525 billion of senior notes due in 2021, using the proceeds plus cash to pay a $2 billion distribution to stock and option holders.

Leading lawyers

William Hinman
Joseph Kaufman
Glenn Reiter
Art Robinson
Gary Sellers

Skadden Arps Slate Meagher & Flom

With experience in debt and equity instruments both domestically and worldwide, Skadden Arps Slate Meagher & Flom has developed an impressive roster of clients. The firm advises organisations including BlackRock, Coca-Cola, Revlon and HCP. "They do a lot of work on the issuer side," says one competitor. Partner Matthew Mallow retired from the firm in 2010.

In a deal which closed in May 2011, the firm advised BlackRock in its $1.5 billion offering of notes. The offering was done in two tranches – a $750 million offering of floating rate notes due in 2013, and a $750 million offering of 4.25% notes due in 2021. Skadden also advised the private equity firm in a $9.6 billion secondary offering of its common stock by Bank of America and The PNC Financial Services Group. This transaction, which significantly transformed the ownership structure of the company, closed in November 2010.

Other notable work includes advising drugstore chain Rite Aid on its $650 million high-yield offering of 8% senior secured notes, due in 2020. The deal, which closed in August 2010, also involved the incurrence of a new $1.175 billion revolving credit facility. The proceeds of the offering were used, together with available cash, to repay a $648 million loan due 2015 under its senior secured credit facility, and to fund related fees and expenses.

Leading lawyers

Richard Aftanas
Gregory Fernicola
David Goldschmidt
Stacy Kanter
Phyllis Korff

For analysis of other leading law firms in the US high-yield and debt and equity capital markets visit the website at www.iflr1000.com

Capital markets - structured finance and securitisation

Recommended firms
Tier 1
Cadwalader Wickersham & Taft
Mayer Brown
Sidley Austin
Skadden Arps Slate Meagher & Flom
Tier 2
Bingham McCutchen
Cleary Gottlieb Steen & Hamilton
Orrick Herrington & Sutcliffe
Tier 3
Katten Muchin Rosenman
Simpson Thacher & Bartlett
SNR Denton
Weil Gotshal & Manges
Tier 4
Dechert
Latham & Watkins
Paul Weiss Rifkind Wharton & Garrison
Stroock & Stroock & Lavan
White & Case
Tier 5
Cravath Swaine & Moore
Dewey & LeBoeuf
Freshfields Bruckhaus Deringer
K&L Gates
Kirkland & Ellis
Milbank Tweed Hadley & McCloy
O'Melveny & Myers
Schulte Roth & Zabel
Shearman & Sterling

Capital markets – derivatives

Recommended firms
Tier 1
Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Tier 2
Allen & Overy
Cadwalader Wickersham & Taft
Shearman & Sterling
Sullivan & Cromwell
Tier 3
Sidley Austin
Simpson Thacher & Bartlett
Skadden Arps Slate Meagher & Flom
Tier 4
Latham & Watkins
Stroock & Stroock & Lavan
Tier 5
Katten Muchin Rosenman
Linklaters
Morrison & Foerster

The meltdown of the subprime mortgage crisis, and subsequent regulatory reforms, have dramatically changed the landscape of securitisation. High-volume, cookie-cutter work in mortgage-backed securities, which was previously the bread and butter of many leading firms, has been the biggest casualty – but other sectors have suffered as well. "Before the economic crisis, there were very large slews of auto deals, credit cards deals etc." says one partner. "Those have all got hammered."

Demand for Collateral Loan Obligations (CLOs) has been seriously hampered by impending regulation, world events, and perceptions of their role in the collapse of the economy. Some financial institutions had hoped that Japanese banks would become big buyers of CLO papers, but following the earthquake, tsunami and nuclear crisis on their shores, many are reportedly putting their money elsewhere. Meanwhile, European buyers are constricted by legislation, which limits investors from buying into securitisations which do not offer 5% risk retention. At present, it is uncertain how US retention guidelines will affect CLOs, and the rules will not go into effect for two years. Whilst some firms report a short-term upswing in demand, which they attribute to a rush to beat the deadline, the future of CLOs looks bleak.

Though most securitisation lawyers feel the hey-day of the mortgage-backed assets machine is behind them, some report that work on complex, one-of-a-kind transactions is starting to emerge. "I think that as people try to cope with new layers of regulation and risk retention and people try to deal with the regulatory regimes, each deal is going to be much more customised," says one partner.

New legislation has also created more work on the regulatory side. With clients concerned over Regulation AB, and SPVs in danger of being treated as swap participants, financial institutions have recruited lawyers to help them draft comment letters in response to the new rules.

Dodd-Frank also includes a mandatory requirement that all eligible derivatives be cleared through a clearinghouse. This is designed to reduce systematic risk, but some lawyers say it will increase the expenses associated with derivatives. "I think derivatives still have a valuable role to play so people will adjust," says one partner. "It may be that they are used for different purposes or used in a different way. I don't think people are going to go out of business - all the major players are restructuring to comply with the regulations."

Lawyers were also confident that securitisation would survive in one form or another. "You are talking about trillions of dollars," says one attorney. "So either there's going to be a lot less people owning mortgages, or there's going to be some kind of securitisation."

Mayer Brown

With a practice that is the envy of law firms all over the world, Mayer Brown maintains its tier one position in the structured finance and securitisation rankings this year. Its attorneys, based in the Americas, Asia and Europe, have what one competitor describes as a "practical orientation and a very broad range of experience". The firm has been at the cutting-edge of recent legal developments affecting troubled financial products, and has particular expertise in structuring bespoke transactions. Mayer Brown represents industry heavyweights including Societe Generale, HSBC, Citigroup, General Electric, Barclays and Bank of America.

In 2010, the firm boosted its already accomplished team with the acquisition of derivatives specialist Joshua Cohn to lead its US derivatives and structured products practice. Cohn is heavily involved with the International Swaps and Derivatives Association. "That was a pretty good jump for them," remarks one competitor. Senior statesman Jason Kravitt was also singled out for praise by peers, with one commenting, "He really was there at the beginning. He wrote a two-volume treatise which is kind of the structured finance reference in the industry. He has built a really enormous practice in Mayer Brown."

Rivals feel that the firm's CLO practice took a hit when that market declined following the financial crisis, but with what peers acknowledge as one of "the broadest practices, spanning a bunch of different asset classes", it has been well-positioned to survive the mortgage meltdown. A client says, "Many law firms don't understand the practical implications of the advice they give. Mayer Brown always gives good advice and they don't bend the rules, but they understand that sometimes solutions that make legal sense don't necessarily make business sense." The client is particularly impressed by partner Paul Jorissen, whom he describes as "totally attuned to the market".

In a deal which closed in November 2010, Jorissen and partner Chris Gavin led a team advising Barclays Bank and Barclays Capital on a $20 billion transaction. The deal established the first collateralised commercial paper program used to finance a financial institution's prime brokerage business.

Other notable work includes representing JPMorgan Securities in the first ever US offering of asset-backed securities backed by Australian auto lease-backed securities. This deal was the first US offering of any Australian asset-backed securities since the financial crisis.

Leading lawyers

Joshua Cohn
Paul Forrester
Chris Gavin
Carol Hitselberger
Paul Jorissen
Jason Kravitt
Stuart Litwin
Jon Van Gorp

Sidley Austin

Sidley Austin has a top-notch structured finance and securitisation practice and a noteworthy derivatives team. The firm's work spans over-the-counter and exchange-traded derivative products around the globe. Clients include Citigroup, Deutsche Bank, Wells Fargo, JPMorgan and Goldman Sachs.

Rob Robinson was singled out for praise by one peer, who says, "We deal with him all the time on derivatives and structured finance. We do quite a lot of complex transactions with him." Another peer identifies Renwick D Martin, who has worked in the mortgage-backed area since 1977, as "a very senior statesman" and "a star".

One client of the firm's derivatives practice says, "We think they are at the top of the game with regards to complicated derivatives workout transactions." The client adds that partner Ellen Pesch "has particularly stood out, due to her detailed knowledge regarding all aspects of derivative law."

Over the last year, the firm has been at the forefront of regulatory reforms. It advised clients in the OTC derivatives and related securities markets on regulatory reforms under Title VII of Dodd-Frank, and other provisions. The firm was also engaged by the International Swaps and Derivatives Association to assist with netting opinions on US insurance companies and advise on Dodd-Frank-related regulations proposed by the Commodity Futures Trading Commission.

In transactions, Sidley represented Deutsche Bank in Frankfurt, London and New York on a CDS transaction concerning a €775 million ($1.1 billion) portfolio of European small and medium-sized corporate credits. The firm also advised Deutsche Bank on a "pay as you go" CDS, which repackaged a €30.25 million subordinated credit linked note from a prior synthetic CLO transaction on a leveraged basis.

Leading lawyers

Edward J Fine
Cathy Kaplan
Dale Lum
Renwick Martin
Gary Stern
Robert Robinson

Skadden Arps Slate Meagher & Flom

Skadden Arps Slate Meagher & Flom is regarded by peers and clients as having a world-class practice in structured finance and securitisation, and a strong derivatives team. The firm's broad expertise has helped it navigate successfully through the difficult economic conditions of recent years. "I think Skadden has a very diverse practice," says one rival. "They don't have a ridiculously large group. They did not have a huge mortgage-backed machine. They have much more depth and breadth in other areas." Clients include JPMorgan Chase, Macquarie Leasing, BlackRock, Goldman Sachs and Mitsubishi Motors Credit of America.

The firm's reputation received a boost in August 2010, when partner Mark Young joined its Washington, DC office. One peer says, "He's really the lawyer who's leading the charge on derivatives, on Dodd-Frank, and he's a very competent guy." Clients were also enthusiastic about the firm. "Their commitment to getting us through the first transaction we did with them was just phenomenal," says one patron, who works with Skadden in structured finance. Partner Susan Curtis and her team were described by the client as "exceptionally diligent".

In a Rule 144A deal which closed in March 2011, the firm represented Macquarie Leasing and subsidiaries of Macquarie Bank, an Australian financial services company, in one of the few foreign consumer ABS transactions to be sold into the US market with a currency swap to US dollars. The cross-border offering, worth $750 million, was backed by a portfolio of finance leases, commercial hire purchase contracts and chattel mortgages on motor vehicles located in Australia. These were denominated in Australian dollars.

Other notable work includes representing a syndicate of underwriters in the second-largest owner of regional malls in the United States, in a $2 billion equity offering. The November 2010 transaction, for New GGP, the successor to General Growth Properties, partially funded General Growth's emergence from the largest US real estate bankruptcy ever.

Leading lawyers
Susan Curtis
Andrew Faulkner
Paula Greenman
Cathy Kaplan
Dale Lum
John Osborn
Gary Stern
James Stringfellow
Yossi Vebman
Mark Young

Bingham McCutchen

Bingham McCutchen jumps to tier two in the structured finance and securitisation rankings this year, following positive market feedback. Peers felt that the firm is reaping the rewards of its 2009 merger with McKee Nelson, described by one partner as "a securitisation powerhouse". The firm's New York and Washington, DC offices gained 120 lawyers, with most having expertise in structured finance work. "They have quite a lot of people who I think have significant experience in the area and I think are very highly regarded," says one competitor. "I would feel very comfortable referring work to people I know at Bingham."

Although McKee was known for its work in mortgage-backed securities, one of the sectors worst-hit by the financial crisis, Bingham has adapted by increasing its practice in other areas. The firm represents major players such as Sallie Mae, Goldman Sachs, Wells Fargo, JPMorgan Chase and RBS Securities. One client says, "They think about what to do from a business perspective and how to accomplish that. Having been around the structured finance world for a while, I have worked with all the top law firms and the folks at Bingham are by far the top structured finance attorneys."

In July 2010, prominent structured finance and securitisation partner Edward De Sear left the firm, subsequently joining Allen & Overy, while partner Vincent Sum joined Bingham's ranks in September 2010.

The firm served as underwriters counsel for Ford Motor Credit in a $1.5 billion sale of Ford Upgrade Exchange Linked Notes via the FUEL Trust 2011-1. The five-year asset-backed bond will convert to senior unsecured debt if two or three credit firms raise the auto maker's rating to investment grade. The first-of-its-kind deal closed in April 2011 and received national media attention.

Bingham also represented Sallie Mae in the acquisition of $27 billion of securitised federally-guaranteed student loans and related assets from The Student Loan Corporation. The transaction was the largest acquisition of securitised FFELP loans and added 1.3 million customers to Sallie Mae's database.

Leading lawyers
John Arnholz
Reed Auerbach
Matthew Joseph
Steve Levitan

Cadwalader Wickersham & Taft

Cadwalader Wickersham & Taft is widely acknowledged as an international player in both derivatives and securitisation. The firm jumps to tier one in the structured finance category this year following strong market feedback and the acquisition of a team from McDermott Will & Emery, which includes nine partners. According to peers, the firm was a "mortgage machine" before the crisis, and has reacted to the decline in this sector by ramping up its practice in other areas, particularly energy. The team from McDermott arrived in January and February 2011 and is headed by Paul Pantano, who now leads Cadwalader's energy and commodities group. Eight of the new partners will be based in the US, and most have experience in derivatives and/or securitisation work relating to energy. One competitor says: "Cadwalader definitely increased its commitment to the energy trading area."

One client describes the firm's derivatives practice as "unparalleled", while another says, "We have presented them with very innovative structures and they have been able to deal with them effectively and improve on the structures." Partner Ray Shirazi is commended by one patron as someone who "gives fantastic advice and provides balanced risk-reward strategies", while associate Brian Foster is identified as "really responsive" and "up-and-coming." Structured finance partner Michael Gambro was also singled out for praise by one client, who says, "He's experienced, has unbelievably detailed knowledge in the securities business and is a very creative thinker."

Partner Karen Gelernt left the firm in January 2011 to join the New York office of Alston & Bird. Partner Drew Chapman joined from DLA Piper in May 2010, and Jeffrey Robins was promoted from special counsel to partner in December that year.

Cadwalader represents industry leaders including JPMorgan Chase, Goldman Sachs, Morgan Stanley, Barclays Capital, Deutsche Bank Securities, Bank of America Merrill Lynch, Credit Suisse and Wells Fargo Securities. The firm constructed a bespoke transaction totalling $1.3 billion for Bank of America Merrill Lynch and JPMorgan Chase, which closed in July 2010. The deal involved a $650 million senior loan backing a CMBS offering, and a $650 million junior loan backing an offering of tax-exempt Liberty Bonds. The deal closed in July 2010.

Other highlights of the firm's recent work include advising various major banks on issuances of over 2,200 structured products worth over $3.2 billion throughout 2010 and the first quarter of 2011.

Leading lawyers
Charles Bryan
Michael Gambro
Anna Glick
Steven Lofchie
Patrick Quinn
Paul Pantano
Richard Schetman
Ray Shirazi
Lary Stromfeld

Cleary Gottlieb Steen & Hamilton

With a leading derivatives practice and a strong presence in structured finance and securitisation, Cleary Gottlieb Steen & Hamilton continues to be regarded as being at the forefront of innovation. The firm represents both issuers and underwriters and has counselled sovereign debtors, particularly in emerging markets. During the first three quarters of 2010, it was involved in over $168 billion in agency mortgage-backed securities offerings. Prominent clients include Credit Suisse, HSBC, JPMorgan Chase, Morgan Stanley, Wells Fargo, UBS, NYSE Euronext, and Bank of America/Merrill Lynch.

The firm is also heavily involved in advising industry organisations on regulatory matters, such as the potential implications of Dodd-Frank. Partner Edward Rosen is outside counsel to The Securities Industry & Financial Markets Association on matters including recent legislation relating to CFTC reauthorisation and the regulation of derivatives. The firm also advises the International Swaps and Derivatives Association and The Securities Industry & Financial Markets Association, amongst others.

The firm's ability to construct complicated, one-of-a-kind deals attracted admiration from rivals. "To understand derivatives, a lot of the knowledge comes from knowing the commercial market," says one competitor. "They have a very strong institutional practice in the commercial market, in both debt and equity."

In May 2011, the firm provided advice to underwriters on over $23 billion of Freddie Mac, Fannie Mae and Ginnie Mae mortgage-backed securities, bringing its total agency mortgage-backed work in 2011 to more than $106 billion worth of transactions.

The firm also represented Bank of America/Merrill Lynch as initial purchaser in one of the first CLOs to close since the financial crisis. The transaction, which took place in November 2010, involved a $300 million Reg S/Rule 144A collateralised loan obligation transaction by LCM VIII.

Leading lawyers

Robin Bergen
Raymond Check
Michael Dayan
Mitchell Dupler
Seth Grosshandler
Michael Mazzuchi
Edward Rosen

Davis Polk & Wardwell

With a derivatives practice that is the envy of law firms around the world, Davis Polk & Wardwell continues its tier one reign this year. The firm is described by competitors as having a "market-leading position in equity derivatives" and being "very big on regulatory reform". It has established itself as an innovator on legislative changes over the past few years, and its regulatory expertise has boosted its capacities in other practice areas.

One client describes the firm's advice as "timely" and "very high quality", adding, "I think they treat us as an important client, so we get very good service from them." The firm's clients read like a who's who of international financial institutions, with companies including Barclays Capital, Credit Suisse, Deutsche Bank, Goldman Sachs, Wells Fargo Securities, Citigroup Global Markets and Banc of America Merrill Lynch.

Davis Polk has recently been involved in a number of groundbreaking transactions. These included advising underwriters on the $23.1 billion IPO of General Motors, which closed in December 2010 and was the largest equity-linked offering by a US issuer. The U.S. Department of the Treasury, Canada GEN Investment Corporation and UAW Retiree Medical Benefits Trust, as shareholders, sold the majority of the shares in the company, and General Motors sold shares of its Series B mandatory convertible junior preferred stock. Both included full exercise of the over-allotment option.

In June that year, the firm also advised the joint lead book-running managers in the largest-ever registered equity offering by a US utility company. The firm represented Credit Suisse Securities US, Merrill Lynch, and Pierce Fenner & Smith in the offering of $2.48 billion of common stock and $1.15 billion of equity units of utility company PPL. In April 2011, the firm advised the joint lead book-running managers on PPL's concurrent SEC-registered offerings of $2.33 billion of common stock and $978 million of equity units. The proceeds of the April 2011 transaction were used to repay some of the £3.6 billion bridge loan PPL used to fund its acquisition of UK electricity business Central Networks.

Leading lawyers

John Brandow
Daniel Budofsky
Michael Kaplan
Warren Motley
James Rothwell

Allen & Overy

Described by one competitor as "a powerhouse" in derivatives, Allen & Overy is widely acknowledged as having an impressive practice in the field. The firm acts as US and Hong Kong counsel to the International Derivatives and Swaps Association (Isda).

Over the last few years, Allen & Overy has lost some prominent partners, including Daniel Cunningham, who left for Quinn Emanuel Urquhart & Sullivan in 2009, and Joshua Cohn, who went to Mayer Brown in February 2010. In July 2011, partner Edward De Sear resigned from the firm.

Nevertheless, the firm's derivatives practice continues to receive strong market feedback. "I think they are at the top of the game," remarks one rival, while another describes the firm as "a very institutional player".

The firm's teams in New York and Moscow recently advised Mechel on its $251 million public offering of preferred shares in the form of American Depositary Shares.

Other notable work includes advising the Depository Trust and Clearing Corporation (DTTC) in creating a new joint venture with the New York Stock Exchange. The scheme will be called the New York Portfolio Clearing (NYPC) and will clear US fixed-income derivatives.

Leading lawyers

John Williams

Orrick Herrington & Sutcliffe

With a history as one of the leading firms in mortgage-backed securities, Orrick Herrington & Sutcliffe has suffered some disruption following the meltdown of the subprime mortgage market. The firm recently experienced the loss of several of its leading lawyers; David Katz and Michael Petronio went to Willkie Farr & Gallagher in July 2010, while James Croke left for Chapman and Cutler in January 2011. However, rivals remain confident that it will recover from the difficult conditions. One peer speculates that the issues "may be just a blip in time," adding, "They have done a lot of stuff - they could probably adapt."

The firm continues to attract praise from clients and competitors, particularly in regard to its regulatory work. One client commends the firm for being "very well-connected in terms of communicating on proposed changes and discussing them with regulators." Partner Michael Mitchell was involved in drafting the American Securitisation Forum's industry comment letter on the SEC's 2004 proposals concerning Regulation AB.

One peer credits Mitchell, a former special counsel with the Securities and Exchange Commission, with making a "phenomenal" contribution to discussions on new legislation. "He has a way of taking really stupid things that other people say and making them sound intelligent," says the competitor. "He's just dynamite at that. I am really impressed by him."

In a deal which closed in March 2011, the firm advised the Redwood Trust as sponsor on a $290 million RMBS offering – the first public offering of private-label mortgage-backed securities that year. The firm also hosts regular breakfast briefings on various topics including a recent series on Dodd-Frank, which was attended by more than 150 companies.

Leading lawyers

Cameron Cowan
Michael Mitchell
Joshua Raff

Shearman & Sterling

Shearman & Sterling continues to impress peers and clients with a standout derivatives group and a respectable structured finance and securitisation practice. The firm is widely recognised both for its regulatory expertise and its experience with structured products and exchange-traded and OTC derivatives.

Several competitors express admiration for partner Donna Parisi. "She's very articulate, very smart and she's been doing a significant amount of work with the Dodd-Frank reform," says one competitor. A client who has worked with the firm in securitisation says he has been "very satisfied with the personal dedication to deliver a quality legal product on time and within a prescribed budget."

The firm represented Bank of America Merrill Lynch in managing its exposure to Lehman Brothers entities following Lehman's bankruptcy. This included an analysis of derivatives and other exposures and advice regarding termination, liquidation, netting and set off rights pertaining to positions and collateral. The practice also provided strategic advice on managing counterparty risk.

Shearman & Sterling is also advising the Depository Trust & Clearing Corporation in establishing and operating infrastructure services for the derivatives industry. These include the establishment of DTCC Derivatives Repository. The new entity will serve as a repository for transaction data for equity and credit derivatives, in accordance with new regulatory requirements to be imposed under Dodd-Frank and expected European regulation.

Leading lawyers

Geoffrey Goldman
Donna Parisi

Sullivan & Cromwell

Sullivan & Cromwell leaps up two tiers in the derivatives rankings this year. Peers recognise that the firm, which has a powerhouse practice in financial service regulatory, is a major influence in lobbying and regulatory work relating to structured finance and derivatives. In the current legislative environment, this expertise is becoming increasingly sought-after by clients. "They are held in high esteem," says one competitor.

Kenneth Raisler who leads the firm's commodities, futures and derivatives group, is described by one rival as "a smart guy and an outstanding lawyer in this space." Structured finance partner Rebecca Simmons attracts notice from peers as "an up-and-comer".

Simmons led the team that represented the group of commuting counterparties in CIFG's restructuring, which was named *Restructuring Deal of the Year* at the *IFLR Americas Awards 2009*. She also developed the first synthetic triple-A rated derivatives products program for an insured US bank, and the first synthetic securitisation of swaps receivables.

Recent highlights of the firms work include advising UBS on its SFr15.6 billion ($14.9 billion) rights offering. The transaction was the second-largest rights offering conducted by a financial institution since the dislocation of the credit market.

Leading lawyers

Kenneth Raisler
Rebecca Simmons

For analysis of other leading law firms in the US structured finance & securitisation and derivatives markets visit the website at www.iflr1000.com

Bank lending

Recommended firms
Tier 1
Cravath Swaine & Moore
Simpson Thacher & Bartlett
Tier 2
Cahill Gordon & Reindel
Davis Polk & Wardwell
Latham & Watkins
Milbank Tweed Hadley & McCloy
Shearman & Sterling
Skadden Arps Slate Meagher & Flom
Weil Gotshal & Manges
Tier 3
Cleary Gottlieb Steen & Hamilton
Sullivan & Cromwell
White & Case
Tier 4
Bingham McCutchen
Jones Day
O'Melveny & Myers
Tier 5
Cadwalader Wickersham & Taft
Fried Frank Harris Shriver & Jacobson
Mayer Brown
Ropes & Gray
Tier 6
Baker Botts
King & Spalding
Kirkland & Ellis
Paul Weiss Rifkind Wharton & Garrison
Vinson & Elkins

Financial services regulatory

Recommended firms
Tier 1
Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Sullivan & Cromwell
Tier 2
Simpson Thacher & Bartlett
Skadden Arps Slate Meagher & Flom
Tier 3
Debevoise & Plimpton
Wilmer Cutler Pickering Hale & Dorr
Tier 4
Cadwalader Wickersham & Taft
Dechert
Latham & Watkins
Mayer Brown
Milbank Tweed Hadley & McCloy
Morrison & Foerster
Sidley Austin
Tier 5
Alston & Bird
Arnold & Porter
Covington & Burling
Cravath Swaine & Moore
Wachtell Lipton Rosen & Katz
Weil Gotshal & Manges
White & Case

As the dust settles from the 2007-08 market crash, regulatory lawyers are finding themselves in the enviable position of having more work than they can handle. As enforcement of existing rules becomes more stringent and clients scramble to prepare for the provisions of Dodd-Frank, firms are beefing up their regulatory practices with lateral hires and recruits from high-level positions in the industry. Some have even shipped back partners from offices abroad in an effort to meet the demand for regulatory expertise in the US. "As the old bromide says, change is good for lawyers - and there's a lot of change going on right now," remarks one partner.

Firms which anticipated the push for tighter controls on the financial markets are starting to reap dividends. Much of the work involves drafting comment letters on new legislation and providing bespoke advice on how the new laws are likely to affect individual organisations. "Initially with Dodd-Frank, we were getting up to speed with the regulations and helping the clients to do that," says one lawyer. "A lot of that was on our own dime. Now that the regulatory process has begun in earnest we are seeing many more clients paying for that kind of tailored advice, so things are extremely busy now."

Amongst other things, Dodd-Frank establishes the Financial Stability Oversight Council (FSOC), a new governing body charged with identifying and responding to threats to US financial stability. Critics of the agency - which has been the subject of extended debate in Congress and the media - say that it has been given too much power .and lacks sufficient expertise in the insurance industry, on which it has a significant impact. In the wake of the Madoff scandal, which one attorney describes as "one of the worst things that has happened for the private sector", governing bodies are also applying existing regulation more stringently than ever before. "Things they used to ask clients to fix next time they come in, they are issuing civil money orders or cease-and-desist notices for," says another partner.

Other controversial aspects of the bill include the last-minute Durbin Amendment, which was designed to take effect in July 2011 but has been pushed back to October. The amendment caps debit card interchange fees at 12 cents plus 0.05% of the transaction - a decline of around 80% from previous takings. Banks stand to lose billions of dollars per year under the amendment, and many have already begun to apply fees and charges elsewhere to compensate for the loss of income.

Banks are also unhappy about the Volcker Rule, which restricts them from making certain kinds of speculative investments. In particular, the rule bans banks from proprietary trading that is not in the best interests of their clients, and from owning or investing in a hedge or private equity fund. It also limits the liabilities that the largest banks, known as systemically significant institutions, can hold. "If you take our large financial services clients, what's most worrying to them is that they might be designated as systemically significant organisations," says one practitioner. As to what constitutes systemically significant, another partner remarks, "That's the $64,000 question in this country."

The climate of uncertainty has created problems in itself. "There's a lot of anxiety," says one partner. "Some banks have been trying to restructure their operations for legislation which might not go ahead." According to a July 2011 report by Davis Polk & Wardwell, 80% of the 160 regulations that were supposed to be completed at that time remained unfinished, and almost 90% of all rules were incomplete.

Many lawyers also criticise the way the bill has been written. "It's badly drafted by people who have no clue how the financial industry works," says another practitioner. "It will be impossible to implement." A lot of partners believe that the act may have unintended consequences, such as forcing medium-sized banks to merge because of the cost of compliance.

While transactions are taking a backseat to regulatory work, most firms report that activity is up. Low interest rates and increased liquidity, helped by the Federal Reserve's quantitative easing program, have made traditional mezzanine financing more difficult. However, the 2014 'debt cliff' has not caused as many problems as expected. Lawyers have been busy with amend and extends, and a lot of the debt has been refinanced to 2015 and beyond. Nevertheless, some lawyers are concerned that if interest rates rise or the lending markets contract because of inflation, this could cause problems down the line.

With investors grabbing at speculative opportunities in desperation, banking lawyers have seen a re-emergence in acquisitions and hostile transactions. Many high-risk, high-yield products, which investors shied away from after the economic crisis, are coming back. Arrangements which many attorneys thought they would never see again, such as covenant-lite and PIK toggle deals, sometimes derisively referred to as PIYC ("pay if you can"), are now enjoying a revival. "It's such a fickle market now that a cool breeze comes and everyone grabs a jacket," remarks one partner. "The memory and the cycles seem to keep getting shorter."

Cleary Gottlieb Steen & Hamilton

With strong practices in both New York and Washington DC, Cleary Gottlieb Steen & Hamilton is well-positioned to advise clients on recent financial and regulatory developments. "They are close to the capital sources in New York, so they represent a lot of banks," says one competitor. Other peers describe Cleary as a "top-notch firm" offering "sophisticated regulatory advice", and note it has "an increasing presence" in bank lending.

In January 2011, long-time partner Jack Murphy, who one lawyer describes as "a lynchpin of the DC office", retired from the firm. Murphy went on to work as a senior executive at consulting firm Promontory Financial Group, which is one of Cleary's clients, in February that year. However, feedback suggests that the firm's position as a market leader in regulatory services will not suffer, as it continues to retain plenty of talent.

Derek Bush is identified by one rival as "a very good younger partner", while Bob Tortoriello and Paul Glotzer are described as "first-rate regulatory lawyers". Another competitor describes Tortoriello as "a leading light, and the author of a very important book on bank regulatory and securities. On top of that he's a wonderful colleague - collaboratively creative." A team led by Tortoriello is currently advising Bank of America on global regulatory aspects of its acquisition of Merrill Lynch.

One client says, "I have been delighted with the service. I am very proud to have my name on things they have done for us. They have a very deep bench, have got fabulous international capability and are a wonderful law firm." Another client says, "There was absolutely no matter that we have asked them to help us with that was a cookie cutter matter. They are able to think creatively and innovate."

On the transactions side, Cleary recently acted as US counsel to BHP Billiton, a global leader in the resources industry, in financing a proposed $40 billion all-cash offer to acquire Potash Corporation of Saskatchewan through a $45 billion syndicated loan facility. The transaction, which was ultimately blocked by the Canadian government, was the largest global M&A deal announced in the first three quarters of 2010.

Leading lawyers

Derek Bush
Tim Byrne
Paul Glotzer
Seth Grosshandler
Richard Lincer
Bob Tortoriello

Davis Polk & Wardwell

Davis Polk & Wardwell moves into the top tier in this year's regulatory rankings, following strong market feedback about the firm's shrewd business strategies over the past few years. During the downturn, partners anticipated legislative reform and began an aggressive recruitment campaign. Since 2007, Davis Polk has more than doubled its number of regulatory lawyers. Its team includes former regulators, in-house counsels to major banking institutions, and Supreme Court clerks. One rival remarks, "I view them as a worthy competitor."

In the wake of the financial crisis, the firm has become a market leader on legislative reforms. It has introduced innovations such as the Dodd-Frank Tracker, a subscription service which provides clients with online tools and email updates on the latest regulatory developments. The tracker, which has since been emulated by many rivals, was the brainchild of an associate who created a prototype for partners one weekend. "Davis has made Dodd Frank into a business almost of its own," notes one competitor.

One client describes the tracker as a useful supplement to the insights the firm has on changes from Washington DC. "I think their innovativeness is directly tied to their knowledge base," he says. "I think the Dodd-Frank tracker is a good example of it. They make an effort to keep you in touch with changes that could affect you." Partner Margaret Tahyar, who moved back from the firm's Paris office to its practice in New York in 2009, was singled out for praise by peers. "She's really taken up their regulatory reform," says one attorney. "I have been very impressed by her."

On the transactional side, another customer characterises Jim Florack as "a highly creative and responsive bank finance attorney", and notes that the firm's professionals "deliver services well, so that my business clients are happy." A third client singles out partner Karin Day for praise. "I would say one of our companies would be bankrupt without her assistance, and we have probably around three times our money as a result of her," he remarks.

Davis Polk was selected to draft technical language for Dodd-Frank and make recommendations on how the bank resolution statute could be adapted for all systemically important financial institutions. The firm's lawyers also played a leading role in the US government's unprecedented financings of AIG and Citigroup and its takeover of Freddie Mac.

Leading lawyers

John Douglas
Jim Florack
Luigi De Ghenghi
Randall Guynn
Arthur Long
Brad Smith
Margaret Tahyar

Sullivan & Cromwell

Sullivan & Cromwell is universally acknowledged by clients and competitors as a dominant force in regulatory work and a strong contender in bank lending. Rivals admit the firm is "magnificent on the regulatory side" and that "there's no arguing with the S&C brand". One client notes, "They are at the top of their game." The firm's regulatory team is led by "dean of the bar" H Rodgin Cohen, who was immortalised in the 2011 movie Too Big to Fail. "He's an outstanding lawyer and a real gentleman," says one peer.

"Sullivan & Cromwell is widely perceived as being number one, and I think rightly so," says another competitor. "They have a very vibrant bank finance business because of their ties to Goldman Sachs, and they are very vibrant in bank regulatory." Competitors identify C Andrew Gerlach as an up-and-coming star. "He's very pleasant to work with and is an intelligent lawyer," says one peer. "He works frequently with Rodgin, and I think as the years go by you're going to hear a lot more about him."

The firm's experience with the Troubled Assets Relief Program (TARP) dates back to the program's introduction in 2008. In recent months, it has represented clients on their repurchase of stock from the US Treasury Department as part of their TARP repayment plan. While the firm's expertise does not come cheap, they are "very cost-conscious" according to one client. "We use them when we need to have the very best," he says.

On the transactional side, Sullivan & Cromwell advised telecommunications giant AT&T on financing for the proposed $39 billion acquisition of T-Mobile USA. Lenders including JPMorgan Chase, which also acted as administrative agent, and 11 other banks, agreed to provide unsecured bridge financing of up to $20 billion under a term loan facility. The controversial deal made national headlines and closed in March 2011.

Leading lawyers

H Rodgin Cohen
Mitchell Eitel
Michael Escue
C Andrew Gerlach
Mark Menting
Mark Welshimer
Michael Wiseman

Simpson Thacher & Bartlett

Simpson Thacher & Bartlett is at the forefront of cutting-edge transactional work and has an internationally recognised regulatory practice. In addition to the firm's strong ties with financial institutions such as JPMorgan, it receives banking work from its relationships with private equity giants. "They have a wonderful stable of clients," says one competitor. "The people who represent JPMorgan are top-notch."

The firm recently boosted both its banking and regulatory practices with the addition of several new partners. In January 2011, banking lawyer Melissa Hutson and M&A/financial institutions specialist Elizabeth Cooper were promoted to partners. In March 2011, the firm recruited partner Christopher Brown, who focuses on leveraged finance, and in April that year it acquired financial services regulatory partner Stacie McGinn.

Another peer singles out partner Frank Huck, whom he describes as the firm's "senior statesman", for praise. "He's probably the best practitioner I have ever worked with in my entire life," he says. "There's always a solution for everything. He's a very nice, friendly, fun-to-work-with, smart, articulate person." Partner Bill Sheehan is respected by a third competitor as "a straight shooter."

Simpson Thacher is currently representing JPMorgan, which is helping to finance AT&T's controversial $39 billion purchase of T-Mobile USA from Deutsche Telekom. JPMorgan is providing the telecommunications giant with a $20 billion one-year bridge term facility to help fund the acquisition, which has received widespread media attention. The deal was announced in March 2011 and the Simpson team is being led by partners Bill Sheehan and Frank Huck.

The firm is also representing AIG in its $4.8 billion sale of its Japan-based life insurance subsidiaries AIG Star and AIG Edison to Prudential Financial. Prudential will pay $4.2 billion in cash and take on $0.6 billion in the assumption of debt. The sale will help finance AIG's repayment of taxpayers as it works towards a complete exit of government support.

Leading lawyers

Maripat Alpuche
James Cross
Frank Huck
Justin Lungstrum
Lee Meyerson
Alden Millard
Gary Rice
Patrick Ryan
Bill Sheehan

Skadden Arps Slate Meagher & Flom

Skadden Arps Slate Meagher & Flom moves up to tier two in both the bank lending and regulatory rankings this year, following recommendations across the board. "They do have the work and the reputation to be ranked in the top two tiers," says one rival. The firm's regulatory practice is led by senior statesman William Sweet, a former attorney at the Federal Reserve Board. One competitor describes Sweet as "someone I think very highly of", while another remarks, "any list that does not have Bill Sweet is seriously defective." A client says Sweet is "very experienced, very knowledgeable, and has helpful contacts with the bank regulators in the US."

The firm's banking practice has lawyers on four continents and represents both borrowers and lenders in some of the largest and most complicated financing transactions worldwide. One rival says, "They are commercially reasonable and that's very important in a worldwide business." Banking partners James Douglas and Peter Neckles retired from the firm in September 2010 and March 2011 respectively. One client reports good experiences with the "consistency and quality of work" he receives from banking partners Stephanie Teicher and Richard Aftanas. "They work very hard and have excellent experience [and] qualifications," he says.

Skadden also has experience working with every major federal and state regulator of financial services. One competitor says, "They are typically our first choice for an organisation that we would want to see handling a transaction when we would need a partnering."

Notable work includes the firm's recent representation of Ford Financial Fund, in one of the first private recapitalisations of a troubled banking institution which did not go through FDIC receivership. The $500 million transaction closed in August 2010.

In another highlight, Skadden represented Deutsche Bank Securities and Merrill Lynch as joint lead arrangers of financing totalling $2 billion for subsidiaries of glass container manufacturer Owens-Illinois Group. The transaction consisted of $1.1 billion of term loans and a $900 million revolving credit facility, which were used to refinance existing debt. The deal closed in May 2011.

Leading lawyers
Harald Moore
Paul Oosterhuis
William Sweet
Stephanie Teicher
Sarah Ward
Mark Young

Cravath Swaine & Moore

With what one rival describes as "a long, balanced history and a strong client base," Cravath Swaine & Moore has a world-class banking practice. The firm has strong relationships with major financial institutions such as Credit Suisse, Goldman Sachs and JPMorgan Chase and has worked on some of the largest and most complex acquisition financings. It is also a new addition to the regulatory rankings this year, following favourable feedback from peers.

The firm received accolades from both clients and competitors. "They have a good depth of knowledge and breadth of experience and they are very solution-oriented," says one customer. "They are a little more expensive than other firms, but it's a function of the talent they have." A rival remarks, "I always like it when they are on the other side. They are reasonable and the quality of their work is good."

One client describes partners James Cooper, Tatiana Lapushchik and Patrick Moriarty as "Extremely knowledgeable, extremely effective, extremely accessible", and says, "My experiences have been very good with them."

Cravath advised JPMorgan, as arranger and administrative agent, on an $816 million revolving credit facility, accessible to 16 teams in the National Basketball Association (NBA). The facility is secured by the NBA's national media revenues and other assets, and allows the teams to obtain favourable financing linked to commercial paper rates. The firm also represented JPMorgan as agent in the simultaneous issuance of $575million of privately placed high-yield notes for participating NBA teams. The one-of-a-kind transaction closed in June 2010.

The firm also represented Goldman Sachs Lending Partners, Morgan Stanley Senior Funding, Citigroup Global Markets and Merrill Lynch in Chrysler Group's refinancing of its 2009 loans from the US Treasury and Export Development Canada. The complex transaction, which closed in May 2011, made national headlines. It involved a $3 billion senior first lien term loan facility, a $1.3 billion senior first lien revolving credit facility and a $3.2 billion senior second lien debt securities offering.

Leading lawyers
James Cooper
Michael Goldman
B Robbins Kiessling
Tatiana Lapushchik
Patrick Moriarty
C Allen Parker

Cahill Gordon & Reindel

Cahill Gordon and Reindel's lending team has strong ties to what peers describe as its "powerhouse" high-yield practice. The firm has created a niche for itself in acquisition transactions featuring debt financing, resulting in what one rival characterises as "a force to be reckoned with". Another peer notes, "They are riding the waves of increased activity on the leverage side."

Leveraged finance partners Rich Farley and Michael Michetti left the firm to go to Paul Hastings, in June and July 2011 respectively. However, the firm remains strong with connections to big names such as JPMorgan, Citibank, Morgan Stanley and Bank of America Merrill Lynch. "In leveraged financing, they represent a whole host of financial institutions," says one competitor.

In March 2011, Cahill represented debt financing parties in the $5.3 billion buyout of Del Monte Foods. The firm acted for arrangers including JPMorgan and Merrill Lynch and JPMorgan Chase as administrative agent on $2.7 billion of secured credit facilities to partially finance the acquisition, which was made by a group of private equity firms led by KKR. In connection with the financing, Cahill also represented the initial purchasers in a $1.3 billion offering of senior notes by Blue Merger Sub.

The firm also advised JPMorgan Chase and the New York branch of Deutsche Bank as co-administrative agents on a $4.5 billion revolving credit facility for Kraft Foods. The loan replaces a similar three-year arrangement and will be used for general corporate purposes, including the company's commercial paper program.

Leading lawyers
James J Clark
Jonathan Schaffzin
Susanna M Suh
Corey Wright
Daniel Zubkoff

Latham & Watkins

Latham & Watkins drops down to tier two in the bank lending rankings this year. Competitors say the firm is reeling from the departure of a team of lawyers led by Marc Hanrahan, who one peer describes as "their marquee name". The group, which left for Milbank Tweed Hadley & McCloy in August 2010, includes Ronan Wicks, Marcus Dougherty, Patrick Flanagan and Lauren Hanrahan. "That was quite a good team and that was typically the team that we saw representing the banks," says one rival.

The migration is an unusual loss for the firm, which is more often on the receiving end of lateral moves. However, peers say that the firm still provides "high quality representation", with one rival describing its lawyers as "experts in both the lender side and borrower side".

Partner Glenn Collyer recently worked on the creation of a new revolving credit facility for casino operator Pinnacle Entertainment.

Leading lawyers
John Jameson
John Mendez

Milbank Tweed Hadley & McCloy

Milbank Tweed Hadley & McCloy moves up a notch in bank lending this year following the August 2010 recruitment of a prominent team from rival firm Latham & Watkins. The group is led by Marc Hanrahan, the former co-head of Latham's banking practice group, who peers identify as "a leading name". The group also includes Ronan Wicks, Marcus Dougherty, Patrick Flanagan and Lauren Hanrahan.

One peer remarks, “I would expect in time that the investment will pay dividends”. A second competitor notes that as a result of the acquisition, “They are clearly stronger and they clearly have a better name”. Others are more cautious in their assessment. “It takes a while to get transactions and see if the clients are willing to work with another firm,” says a third partner. “On the lending side, they have done deal volume.”

The firm also has a solid regulatory practice, with five partners serving major players such as Citigroup, Deutsche Bank, Fidelity, Prudential Assurance, Goldman Sachs and JPMorgan Chase. The firm regularly advises and consults with the Board of Governors of the Federal Reserve System, the Office of the Comptroller of Currency, the Federal Deposit Insurance Corporation, and other federal and state regulators.

Leading lawyers

Jonathan Green
Marc Hanrahan
Blair Tyson

Shearman & Sterling

Shearman & Sterling has a long history as a prominent player in bank lending. The firm advises on some of the most complex international and domestic transactions, and has a solid regulatory practice. Peers note that the firm has particular strength representing subordinated lenders in sophisticated deals. “If it’s a supersized deal, I would go to Sherman & Sterling,” says one competitor, while another notes, “Shearman has been up-and-coming.”

Competitors acknowledge partner Bradley Sabel, formerly of the Federal Reserve, as one of the firm’s leading regulatory lawyers. One rival says, “He has been there a long time and he’s really a super lawyer.”

Clients were also impressed with the firm’s work: “They are able to give a very comprehensive answer,” says one client of the firm’s banking practice. “Their lawyers are exceptionally good at the large transactions.”

Recent highlights of the firm’s work include its representation of parties in the $3 billion acquisition financing of clothing chain store J Crew, which was widely covered in the national media. Shearman & Sterling represented Bank of America as administrative agent, and joint lead arrangers and bookrunners Merrill Lynch and Goldman Sachs, in a $1.2 billion term loan and a $250 million asset-based revolving credit facility. The deal closed in March 2011.

The firm also advised the joint bookrunners and lead arrangers in a $2 billion five-year term loan and a $1.25 billion three-year revolving credit facility for Petróleos Mexicanos (Pemex). Pemex received commitments from 17 banks, not including the leads. Partner Denise Grant led the deal, which closed in 2010.

Leading lawyers

Michael Baker
Denise Grant
Maura O’Sullivan
Bradley Sabel
Russell Sacks

Weil Gotshal & Manges

With a reputation as one of world’s top leveraged acquisition finance practices, Weil, Gotshal & Manges is highly sought-after by clients on both the lender and borrower sides. The firm’s banking work benefits from its powerhouse restructuring practice. “Weil – that’s a firm we see representing financial sponsors a fair amount and certainly they have a very strong practice,” says one competitor. The firm represents industry leaders such as Citibank, Goldman Sachs, JPMorgan, Macquarie Securities, General Growth Properties, Credit Suisse, Providence Equity and Thomas H Lee Partners.

Weil Gotshal also breaks into the regulatory rankings this year, following recommendations from peers and clients. The firm has over 30 years of experience in the financial services industry and acted as lead counsel to failed financial institutions including Lehman Brothers and Washington Mutual following the financial crisis.

The firm recently expanded its regulatory practice with several new hires. In April 2010, it announced the addition of former Senate banking committee special counsel Heath Tarbert, who now heads its financial regulatory reform working group in Washington, DC. In April 2011, it increased its regulatory capacity in New York with the recruitment of Derrick Cephas, the new head of the firm’s financial institutions regulatory group. Cephas came from New York-based Amalgamated Bank, where he was president and chief executive officer, and is a former partner of Cadwalader Wickersham & Taft. Banking partner Elizabeth Evans left the firm in May 2010 to join Jones Day’s New York office.

One client, who regularly works with banking partner Doug Urquhart and restructuring partner Lori Fife, says, “Lori and Doug see the whole picture: legal, economic, interpersonal. They are great to work with.”

The firm has represented AIG on a number of matters, including advising the company in on selling an 80% stake in consumer credit provider American General Finance as part of its strategy to repay TARP funding provided by the US Government. It also advised digital television provider DIRECTV Holdings in its $2 billion investment-grade, syndicated revolving credit facility.

Leading lawyers

Michael Aiello
Morgan Bale
Warren Buhle
Derrick Cephas
Daniel Dokos
Angela Fontana
Heath Tarbert
Douglas Urquhart
Walter Zalenski

For analysis of other leading law firms in the US bank lending and financial services regulatory markets visit the website at www.iflr1000.com

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
Latham & Watkins
Weil Gotshal & Manges
Tier 3
Cadwalader Wickersham & Taft
Debevoise & Plimpton
Fried Frank Harris Shriver & Jacobson
Gibson Dunn & Crutcher
Jones Day
Kirkland & Ellis
Paul Weiss Rifkind Wharton & Garrison
Shearman & Sterling
Tier 4
Sidley Austin
Willkie Farr & Gallagher
Tier 5
Dewey & LeBoeuf
Mayer Brown
Ropes & Gray
White & Case
Wilson Sonsini Goodrich & Rosati

After a tough period following the economic crisis, business is booming for M&A lawyers. According to a report by deal-tracking firm Dealogic, global M&A activity hit $1.5 trillion in the first half of 2011 - up by 22%

compared to 2010 levels. "After the financial crisis, non-assisted M&A essentially came to a halt," says one attorney. "There was a period of over a year where there was no M&A other than distressed activity." However, what some in the industry refer to as "the dark days" are now just a bleak memory. "There's optimism and a lot of activity," says another lawyer. "There's a lot of available liquidity, which is a major driver of the M&A market."

The widespread availability of cash, helped by corporate downsizing during the downturn, has resulted in higher asking prices. According to research by Standard & Poor's, the top 50 publicly-traded companies were collectively sitting on over $1 trillion by January 2011. Low interest rates have created additional competition from private equity firms, which can borrow cheaply to finance speculative investments. "Sellers have an inflated idea of what their company is worth, and buyers don't want to pay it," says one lawyer. Another remarks, "It's a matter of waiting out some of the sellers and that's what people are doing."

Relatively high corporate profits have been another factor driving prices. "There's the sense that the proceeds of a lot of companies are high considering the recession, so there's a lot of restructuring to the pricing models that are out there," says one attorney. With good deals difficult to find, yesterday's underdogs of real estate and technology are now prime targets for bargain-hunters. However, activity was spread across a variety of sectors, which M&A lawyers interpret as a good sign.

Several firms report that deals are taking longer to complete. Some buyers are utilising a combination of cash and stock, and transactions are increasingly cross-border propositions. "That adds a whole new element," says one partner. "You can't move as quickly because a tender offer isn't as practical. Also, so many transactions are multi-national - you end up with questions of where are the shares going to trade, are they going to trade in the US, what knowledge of liquidity are they going to provide?" The Americas was the top target for M&A during the first half of 2011. While European activity was still high, optimism was dampened somewhat by the debt problems of countries such as Greece, Portugal, and Ireland. In Asia, China was the biggest focus of M&A activity.

Lawyers see market volatility as the biggest obstacle to doing deals over the coming year. Upheavals such as the nuclear crisis in Japan and uprisings in the Middle East have rocked the markets, and with roadblocks such as the US budget deficit and European debt ahead, attorneys report an increased focus on due diligence. Additionally, the provisions of Dodd-Frank and other regulatory measures have focused many clients on getting their own houses in order. "A number of buyers are pretty occupied with improving their own situation, either by improving compliance or increasing capital levels or improving their own business," says one partner. The increased scrutiny of the financial markets may also have effects in terms of the types of deals that can get done. "Generally speaking, I think anti-trust enforcement will be much tougher than it has been in the Bush years," says another partner.

Cravath Swaine & Moore

Cravath Swaine & Moore has worked on some of the most complex deals to come out of the financial crisis, and has been a pioneer of innovations in hostile transactions. Within a two-week period in September 2010, the firm won three proxy contests on behalf of three separate clients. Competitors say Cravath has "a respectable practice" with "an enormously talented bunch of lawyers".

In June 2010, long-time partner Ronald Cami left the firm to work as a general counsel at private equity firm TPG. His departure was followed by those of prominent partners Gregory Shaw, who retired in December that year, and James Woolery, who joined JPMorgan's investment banking group in February 2011.

However, Cravath retains plenty of star lawyers, according to clients. "They are very qualified, they are very experienced, they are very knowledgeable," says one customer. "They are very intelligent, they give practical advice." Another client remarks, "I have worked with all the best firms and without any exception I think they are absolutely unparalleled. They are super-smart, they are very approachable, and they are responsive beyond belief."

In one of the largest negotiated minority squeeze-out transactions, the firm is representing Alcon in connection with a definitive agreement to merge the company into Novartis. As a condition of the $12.9 billion transaction, Novartis will pay $168 per share for the Alcon shares it does not currently own, through a combination of Novartis shares and cash if necessary. The merger will be governed by Swiss law, and is expected to be completed during the first half of 2011.

Cravath also represented Millipore during its $7.2 billion acquisition by Merck. The deal, which closed in July 2010, utilised a plan of share exchange structure, which had not previously been used in Massachusetts in connection with a public company transaction.

Leading lawyers

Scott Barshay
Richard Hall
Faiza Saeed
Robert Townsend

Davis Polk & Wardwell

Davis Polk & Wardwell continues to live up to its reputation as one of the country's most cutting-edge M&A practices. At the *IFLR Americas Awards 2010*, which recognise innovation, the firm's M&A group scooped prizes including *M&A Deal of the Year* and *M&A Team of the Year*. "Davis is a very able small M&A shop," says one competitor. "I like them - they are capable. They have good people." Another rival remarks, "I think they are focused, experienced and practical."

Clients appreciate the firm's technical expertise and professionalism. "They know the law inside and out and they also help me make important judgements," says one customer. "They give you very high-level, sophisticated advice that helps you make important decisions." Another client says the firm's advice is "timely, it's very high quality and I think they treat us as an important client, so we get very good service from them."

Recent highlights of the firm's work include advising PepsiCo on its $3.8 billion acquisition of a 66% stake in Wimm-Bill-Dann Foods, a food and beverage company. Davis Polk is now advising PepsiCo on an offer for all outstanding ordinary shares and American Depositary Shares of Wimm-Bill-Dann Foods that it does not already own. The tender offer was announced in February 2011, on the same day as the acquisition closed.

The firm is also advising CVSCaremark on its $1.25 billion acquisition of the Medicare Part D business of Universal American, New York-based Medicare prescription drug plan sponsor. The ongoing deal was announced in December 2010.

Leading lawyers

George Bason
John Bick
David Caplan
Louis Goldberg
Phillip Mills

Simpson Thacher & Bartlett

Simpson Thacher & Bartlett's M&A practice draws strength from the firm's dominance in private equity, according to competitors. "Simpson has two of the largest private equity firms on the planet - KKR and Blackstone," says one peer. "That's what drives their volume."

The group has had several personnel changes over the last year. In September 2010, partner John Finley left the Firm to become senior managing director and chief legal officer of Blackstone. In January 2011, corporate attorney Elizabeth Cooper, whose practice focuses on M&A, was promoted to partner. In April 2011, Stacie McGinn, who advises on regulatory matters including those related to M&A, joined the firm. McGinn was previously the deputy general counsel at Bank of America.

Peers describe long-time partner Casey Cogut as "one of the top lawyers" in M&A. A client says, "They are experienced and knowledgeable, and they are very nice people."

Partners Lee Meyerson and Ellen Patterson led a Simpson team working on TD Bank Financial Group's $6.3 billion acquisition of Chrysler Financial. Following the transaction, which closed in April 2011, TD expects to be positioned as a top five bank-owned auto lender in North America.

The firm also represented energy company PPL Corporation in its $7.6 billion acquisition of EON US. The acquisition includes payments of approximately $6.7 billion to the seller and the assumption of $925 million of tax-exempt debt. The firm also assisted PPL in connection with arranging a $6.5 billion bridge facility from Bank of America Merrill Lynch and Credit Suisse in case permanent financing was unavailable.

Leading lawyers

Casey Cogut
Gary Horowitz
Alan Klein
Lee Meyerson
Mario Ponce
Robert Spatt

Skadden Arps Slate Meagher & Flom

Skadden Arps Slate Meagher & Flom remains at the top of its game in terms of both deal volume and complexity. One peer says the firm is "probably our strongest competitor" while another rival notes, "I believe they belong at the top of the pile."

"They have got good results for us," says one client. "They are responsive and pleasant to work with, and they are experts in their field."

In an ongoing transaction, Skadden is representing long-time client DuPont in its $6.3 billion acquisition of Danish food ingredient manufacturer Danisco. The firm also represented DuPont in a related $6 billion acquisition financing.

The firm is also advising News Corporation on its ultimately withdrawn offer to acquire the entire current and to-be-issued share capital of BSkyB, which is not already owned by News Corporation. The proposal values the fully diluted share capital of BSkyB at $17.8 billion.

Leading lawyers

Stephen Arcano
Peter Atkins
Margaret Brown
Howard Ellin
Todd Freed
Lou Kling
Michael Rogan
Paul Schnell

Sullivan & Cromwell

Sullivan & Cromwell is a leader in global M&A, advising principals in more than $1.45 trillion of transactions over the last five years. According to end-of-year statistics by Thompson Reuters, the firm led the field by value of M&A transactions successfully completed worldwide in 2010.

The firm's international scope and responsiveness has scored it points with its clients. "You could get hold of them 24-7," says one patron. "I could send out an email at 3 o'clock in the morning and someone would get back to me. That was good because it was a global acquisition."

Another client singles out partner Duncan McCurrach for praise. "We were doing a structure that is very complex and he came out with constructive ideas on how to assemble it," he says. "From my perspective, he has been very helpful."

In the largest deal announced so far in 2011, the firm is advising AT&T on its $39 billion acquisition of T-Mobile from Deutsche Telekom. The transaction is expected to close in first quarter 2012.

The firm also represented the independent director committee of eye care company Alcon in the largest merger in Switzerland's history. The transaction involved the $12.9 billion acquisition of the remaining publicly held minority interest in Alcon, by health care company Novartis. It closed in April 2011.

Leading lawyers

Frank Aquila
Mitchell Eitel
Joseph Frumkin
Stephen Kotran
Scott Miller
James Morphy
Alison Ressler

Wachtell Lipton Rosen & Katz

The first-class M&A practice of Wachtell Lipton Rosen & Katz continues to occupy a place in the top tier of the rankings this year. The firm has particular expertise in defending companies that are under attack by shareholder activists. "They have got a lot of good people at Wachtell," says one competitor.

In particular, peers express respect for founding partner Marty Lipton, whom one describes as "the godfather of M&A". "When you think of Wachtell and high-profile deals, you think of Lipton," says one competitor. Steven Rosenblum, the co-chair of the firm's corporate group, is described by one rival as "Someone I like a lot. He's very easy to do business with - very straightforward and focuses on the important issues." Partner David Katz is also "very well thought-of" in the industry, according to competitors.

Recent highlights of the firm's work include advising Wyeth's board of directors in the $68 billion acquisition of the company by pharmaceutical giant Pfizer. Wyeth was previously owned by American Home Products Corporation. The firm also represented Morgan Stanley in its $9 billion sale of equity securities to Mitsubishi UFJ Financial Group.

Leading lawyers

Edward Herlihy
David Katz
Daniel Neff
Steven Rosenblum

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb Steen & Hamilton has worked on many of the most significant M&A transactions announced during the past year. The firm has particular expertise in complex, cross-border deals, according to peers. "Cleary has a very strong international network," says one competitor. "They tend to get involved in a lot of big international deals."

The dedication of the firm's attorneys has impressed its clients. "When they take on a matter they are absolutely committed, no matter what the pressures may be, and we have had very successful outcomes with them," says one patron. The client singles out partner Glenn McGrory as being "at the top of my list". The client says, "He will work 24-7 to make sure we have what we need." In September 2010, partner Filip Moerman, who advises on M&A, private equity and restructuring, transferred to the firm's New York office from Beijing and Hong Kong.

In the largest deal announced worldwide during the first three quarters of 2010, the firm represented BHP Billiton in its $40 billion all-cash offer to acquire PotashCorp. The

August 2010 transaction was ultimately blocked by the Canadian government.

The firm also counselled Google in multiple transactions including its $750 million acquisition of AdMob, a mobile display advertising technology provider, and its $700 million acquisition of ITA Software, a developer of software for the travel and airline industry.

Leading lawyers

Christopher Austin
Ethan Klingsberg
Victor Lewkow
Paul Shim
Daniel Sternberg

Weil Gotshal & Manges

Weil Gotshal & Manges has impressed peers with its increasing influence on the global M&A market. During 2010, it acquired significant new clients such as French aerospace and security conglomerate Safran, the UK-based Man Group, radio group Citadel Broadcasting and Eli Lilly. "Weil Gotshal has certainly been moving up," says one competitor. "They have some real bright sparks and they have had a couple of big deals. For a firm that was not traditionally a powerhouse, they have earned their place on the list." The firm has particular strength in evaluating takeover defences and in connection with hostile bids, proxy contests and shareholder activism.

In one of the largest media deals in recent years, the firm represented General Electric and NBC Universal in a $37.3 billion joint venture with Comcast. The transaction resulted in a new media powerhouse, with Comcast holding a 51% share and GE holding 49%. The new entity controls a broadcast network, cable TV networks, local TV stations, a movie studio and theme parks. The transaction closed in January 2011.

In another blockbuster deal, Weil Gotshal advised Sanofi-Aventis in a $20.1 billion transaction which represented the pharmaceutical company's first acquisition of a US biotech company. The deal closed in April 2011.

Leading lawyers

Michael Aiello
Howard Chatzinoff
Frederick Green
Kyle Krpata
Thomas Roberts

For analysis of other leading law firms in the US mergers and acquisitions market visit the website at www.iflr1000.com

Private equity – transactions

Recommended firms
Tier 1
Kirkland & Ellis
Simpson Thacher & Bartlett
Tier 2
Cleary Gottlieb Steen & Hamilton
Debevoise & Plimpton
Latham & Watkins
Ropes & Gray
Skadden Arps Slate Meagher & Flom
Weil Gotshal & Manges
Tier 3
Davis Polk & Wardwell
Fried Frank Harris Shriver & Jacobson
Gibson Dunn & Crutcher
Paul Weiss Rifkind Wharton & Garrison
Schulte Roth & Zabel
Willkie Farr & Gallagher
Tier 4
Proskauer Rose
Sullivan & Cromwell
Wachtell Lipton Rosen & Katz

After a difficult few years following the economic crash, private equity is making a comeback. Funds which tightened their purse strings during the downturn are now looking to acquire assets. Liquidity is high, and low interest rates are prompting investors to take more risks. Though fundraising was slow during the first quarter of 2011, it had picked up by the middle of the year. With money cheap, plentiful, and available on good terms, activity has soared. "I think the economy is clearly turning a corner - or at least people think it is," says one attorney.

Banks, bonds, and high-yield financing have been popular sources of funding for deals. "The good news is that if you want to do a deal there's financing," says another partner. "The bad news is that financing is so readily available that it is creating unrealistic price expectations." Multiples are up, and companies that have already been trading at multi-year highs are selling at a premium. "The companies are doing just fine," says a third practitioner. "They are willing to sell if they get the right price, but they are not desperate."

Competition from strategic acquirers may become a problem for private equity firms over the next year. As a result of downsizing during the economic crisis and a prolonged period of cheap borrowing, corporations are now in the enviable position of having an overabundance of cash. In January 2011, the top 50 publicly-traded companies were collectively sitting on over $1 trillion, according to research by Standard & Poor's. As a result, M&A activity increased, as corporations struggled to find ways to empty their piggy-banks. Since buying outright is less expensive than even cheap debt, strategic acquirers are almost always able to outbid a private equity firm. "I think the pace will slow down because of unrealistic price expectations," says one partner. "I think some of our clients are choking on some of the prices."

Firms report that most of the activity has been in upper-middle market buyout transactions. "I think there are more middle market deals, depending on how you define middle market," says another partner. "Certainly, the billion dollars and below are more the norm than the billion dollar and above." Hot sectors include energy, technology, health care and distressed real estate. Investments in emerging markets were also a focus of 2010. According to 2010 year-end statistics from the Emerging Market Private Equity Association, Asia captured a 61% share of those investments. However, Brazil has now overtaken China as the top destination for private equity investment, according to research released by the same organisation in April 2011.

Challenges ahead include managing potential increases in costs brought about from increased competition, regulation and the possibility of rising interest rates. In a recent survey of fund managers by global professional services firm Rothstein Kass, nearly 86% agreed that compliance costs will increase for private equity funds under the provisions of Dodd-Frank and the Consumer Protection Act. When interest rates eventually go up, this may result in what one lawyer describes as "a damper on the ability to close deals going forward". For the moment, however, transactions show no sign of slowing down. "It's a pretty robust time for private equity," says one attorney.

Kirkland & Ellis

With "a very deep client base in the middle market" and "a large number of lawyers who are very good in the practice", peers agree that Kirkland & Ellis is a frontrunner in deal volume. Private equity is integral to the firm, with around 60% of its 600 corporate lawyers regularly advising private equity sponsors. Its attorneys, who serve over 250 private equity firms, are known for pioneering structures and techniques.

"We view Kirkland as the model for the middle market because they represent a slew of middle market firms, and I don't think anybody else does that well," says one competitor. "They are very deep and they know all the arguments. There's nothing out there that they haven't thought of."

Peers identify Kirk Radke as one of the firm's stars, noting that he is "at the top of their pole". "They are great people and are incredibly responsive," says one client. "They really provide a first-rate service." The client singles out "exceptional" partner Sanford Perl for praise. "He's an incredibly good lawyer, a great advisor," he says.

Kirkland partners Stephen Fraidin and Bill Sorabell received widespread media attention for an innovative 'dual track' acquisition structure in 3G Capital's $4 billion going-private acquisition of Burger King. This involved 3G beginning a tender offer to acquire control of Burger King, while the fast food giant filed a proxy statement and held a meeting to approve the acquisition. Burger King would be acquired through whichever method was completed first. The agreement for the transaction, which closed in October 2010, also contained mechanics to address potential financing failures.

In an ongoing deal, the firm is representing Apax Partners in the combined $2 billion acquisition of software companies Epicor Software and Activant Solutions to form a single new company. It is unusual for a going-private transaction to include a condition that the acquisition of a separate private company occurs simultaneously.

Leading lawyers

David Breach
Jeffrey Hammes
Sanford Perl
Kirk Radke
Stephen Ritchie
Matthew Steinmetz

Simpson Thacher & Bartlett

With two of the top marquee clients in the private equity space - KKR and Blackstone – Simpson Thacher & Bartlett is the envy of its rivals. The firm is well-known for both the volume of its deals and the innovation of its practitioners. "Simpson is very uniquely situated in the private equity world," says one competitor. "They have KKR, Blackstone and some parts of several big funds - that's really special." Another peer says, "No other firm on this list has such a dominant market share of two prime clients like they do." A third laments, "We would love to be able to represent those clients."

Peers expressed admiration for Richard Beattie, the firm's chairman. "In the private equity space, the most senior statesman-like person is certainly is Dick Beatty at Simpson," says one rival. "I think he's sort of in a unique spot in that area." Competitors also say senior partner Charles 'Casey' Cogut is "a very well-known name - he's done some huge deals." Clients were equally impressed. "They are very smart and capable, very experienced," says one long-time customer. "All the things you would expect from a firm with the stature of Simpson."

In a transaction which closed in March 2011, the firm represented KKR, Vestar Capital Partners, and Centerview Partners in their $5.3 billion acquisition of Del Monte Foods. The deal, which made national headlines, included the assumption of approximately $1.3 billion of debt.

In another widely-publicised deal, the firm is representing Blackstone in the $9.4 billion buyout of Centro Properties Group's US shopping mall business. Centro, Australia's largest manager of retail property investment syndicates, held 588 properties in the United States at the end of 2010. The deal closed in June 2011.

Leading lawyers

Richard Beattie
Richard Capelouto
Daniel Clivner
Charles 'Casey' Cogut
Brian Stadler
Wilson Neely

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb Steen & Hamilton has advised on three of the four largest-ever leveraged buyouts completed worldwide, and regularly works on first-of-a-kind transactions. The firm has lawyers in the US, Europe and Asia and its clients include marquee name TPG Capital. Competitors say Cleary Gottlieb is "good for both strategic and private equity" and is "an outstanding firm, no doubt about it".

Peers identify partners Paul Shim and Michael Ryan as key figures in the market. One peer says of Shim, "He's really somebody I think is a terrific lawyer and does a great job. I think the same of Michael Ryan." In September 2010, partner Filip Moerman transferred to the firm's New York office, after splitting his time between its practices in Beijing and Hong Kong.

The firm advised J Crew on its $3 billion acquisition by funds affiliated with TPG and Leonard Green & Partners. The transaction, which attracted widespread media attention, closed in March 2011. It involved various complications, including TPG's former majority stake in J Crew, TPG founding partner James Coulter's position on J Crew's board, and retaining its chairman and chief executive Millard Drexler after the deal.

In a transaction which closed in December 2010, the firm also counselled TPG in the first foreign private equity investment in a Chinese securities firm, the China International Capital Corporation.

Leading lawyers

Michael Ryan
Paul Shim

Debevoise & Plimpton

Debevoise & Plimpton has been a pioneer in private equity for over 30 years. Competitors express a "very high regard" for the firm, which they say is "strong in investment management, strong in private equity". Whilst the firm lacks the same volume of deals as its top-tier rivals, it has produced innovative solutions for some of the largest and most complex transactions in the industry. One peer says, "They are very capable and work on some high-profile matters." Clients include Cerberus Capital Management, First Reserve, BAML Capital Partners, Teachers' Private Capital and The Carlyle Group.

In January 2011, the firm recruited David Innes, a former partner at Travers Smith. Innes has represented clients including 3i, Bridgepoint Capital and TA Associates, in prominenttransactions including Bridgepoint's £955 million sale of Pets at Home to KKR, which was one of the largest buyouts in the UK in 2010. One competitor describes partner Franci Blassberg as "a tremendous person to work with" and Jeffrey Rosen as "a spectacularly talented lawyer, and very innovative".

The firm recently advised Reynolds Group in its $6 billion going-private acquisition of Pactiv Corporation, which manufacturers packaging including the Hefty brand trash bag. The deal closed in November 2010, and included complex financing arrangements involving equity from Rank and debt financing from affiliates of Credit Suisse, HSBC and Australia New Zealand Bank.

Other notable work includes advising Clayton, Dubilier & Rice on the acquisition of a 42.5% stake in chemical company Univar, valued at $4.2 billion. Clayton, Dubilier & Rice bought the stake from London-based private equity firm CVC Capital in a secondary buyout, following a dual-track IPO process. CVC will retain a 42.5% holding in the company, with the remaining 15% split between Univar's managers and other investors. The deal closed in November 2010.

Leading lawyers

Franci Blassberg
Margaret Davenport
Jeffrey Rosen

Ropes & Gray

Ropes & Gray advises what competitors describe as "a good, broad stable" of clients in private equity, including 13 of the 35 largest global funds and over 30 mid-market firms routinely doing $100 million to $1 billion transactions. The firm has over 175 lawyers devoting most of their practice to private equity, and has a growing international scope; since 2007, it has opened offices in London and Chicago and has expanded its offices in Tokyo, Hong Kong, and San Francisco.

One competitor says the firm would be his first choice to recommend to a client if he was conflicted out of a deal. "I think they would be able to effectively and economically represent my client," he adds.

Ropes & Gray's private equity transactions group is led by Al Rose, described by peers as "a leading lawyer". Rose, along with partner Julie Jones, led a team representing TPG Capital and Leonard Green & Partners in the $3 billion acquisition of apparel chain J Crew. The widely-publicised deal involved several complicated issues. These included the fact that TPG had once held a majority stake in the clothing retailer and took it public, the presence of TPG founding partner James Coulter on J Crew's board, and the issue of retaining J Crew's chairman and chief executive Millard Drexler after the deal.

In a deal which closed in December 2010, the firm also represented Welsh, Carson, Anderson & Stowe in its $2.1 billion sale of the US's largest cancer care provider, US Oncology. The health care company was sold to McKesson, the largest distributor of drugs in the US.

Leading lawyers

Kendrick Chow
Jane Goldstein
Othon Prounis
Alfred Rose

Skadden Arps Slate Meagher & Flom

The private equity practice of Skadden Arps Slate Meagher & Flom benefits from its status as "a big M&A name", according to competitors. The firm took the *Private Equity Deal of the Year* prize at the *IFLR Americas Awards 2011* for representing Burger King in its $4 billion acquisition by 3G Capital. The deal involved an innovative 'dual-track' structure – a tender offer backstopped by a one-step merger agreement.

Skadden recently suffered the loss of longtime partner Nicholas Saggese, the former co-chair of its private equity practice, who retired in December 2010. "He was the main rainmaker and a terrific human being," says one peer. Saggese went on to join Moelis & Company as a senior adviser in March 2011.

The firm is currently advising Centro Properties Group, Australia's largest manager of retail property investment syndicates, in its cross-border restructuring and $9.4 billion acquisition by Blackstone. As part of this, Skadden represented Centro in the sale of its 588 US malls to Blackstone via an auction, in the biggest leveraged buyout since 2008. The deal closed in June 2011.

In what was reportedly the largest private equity deal to date in Brazil, Skadden also represented funds advised by Apax Partners in acquiring a 54% stake in IT outsourcing company TIVIT (Brazil). The firm also provided counsel on a subsequent mandatory tender offer to buy the remaining shares. The two transactions value the company at approximately $1 billion.

Leading lawyers

Joseph Coco
Eileen Nugent
Allison Schneirov
Paul Schnell

Weil Gotshal & Manges

Weil Gotshal & Manges has demonstrated what peers describe as an "impressive" ability to carve out a position for itself in private equity transactions. "They are a firm that in the last 20 years went from nowhere in private equity to being a dominant player," remarks one competitor. The firm's private equity work benefits from the expertise of its first-rate restructuring practice, resulting in particular strength in distressed M&A matters involving private equity firms. It has worked on several bankruptcy acquisitions and restructurings of portfolio companies. "Weil has done a really good job of developing a niche in this area," notes one peer. "They have a good team and they seem to show up on a lot of deals I have done."

The firm also regularly represents over 40 sponsor clients in the US on deal execution matters, including mega and middle-market private equity funds, sovereign wealth funds, and public business development companies. Key clients include Thomas H Lee Partners, Providence Equity Partners, Advent International, Lindsay Goldberg and Oak Hill Capital. "They know all the issues," says one client. "We feel like they have a good handle on the market and where things are headed. In email, by phone and in person they are always available 24-7 if we need them."

The firm recently represented cable, internet and telephone provider Bresnan Communications, a portfolio company of Providence Equity Partners, in its $1.36 billion sale to media giant Cablevision. The deal closed in December 2010. Upon completion of the transaction, Cablevision gained advanced cable systems serving more than 300,000 basic subscribers.

In another deal highlight, the firm structured a combination of innovative financing and attractive contract terms to help its client, Thomas H Lee Partners, prevail in a competitive process to acquire Acosta Sales & Marketing. The $2.2 billion secondary buyout closed in March 2011.

Leading lawyers

Douglas Warner
Glenn West
James Westra

For analysis of other leading law firms in the US private-equity market visit the website at www.iflr1000.com

Investment funds - private equity: fund formation

Recommended firms
Tier 1
Debevoise & Plimpton
Kirkland & Ellis
Simpson Thacher & Bartlett
Tier 2
Cleary Gottlieb Steen & Hamilton
Davis Polk & Wardwell
Ropes & Gray
Weil Gotshal & Manges
Tier 3
Akin Gump Strauss Hauer & Feld
Gibson Dunn & Crutcher
Latham & Watkins
Morgan Lewis & Bockius
Morrison & Foerster
Paul Weiss Rifkind Wharton & Garrison
Proskauer Rose
Schulte Roth & Zabel

Investment funds - registered funds

Recommended firms
Tier 1
Dechert
Ropes & Gray
Tier 2
Bingham McCutchen
Goodwin Procter
K&L Gates
Morgan Lewis & Bockius
Willkie Farr & Gallagher
Tier 3
Debevoise & Plimpton
Kramer Levin Naftalis & Frankel
Paul Hastings Janofksy & Walker
Sidley Austin
Simpson Thacher & Bartlett
Stradley Ronon Stevens & Young
Stroock & Stroock & Lavan
Sullivan & Cromwell

Investment funds - hedge funds

Recommended firms
Tier 1
Schulte Roth & Zabel
Sidley Austin
Tier 2
Akin Gump Strauss Hauer & Feld
Bingham McCutchen
Dechert
Katten Muchin Rosenman
Morgan Lewis & Bockius
Paul Weiss Rifkind Wharton & Garrison
Seward & Kissel
Skadden Arps Slate Meagher & Flom
Tier 3
Davis Polk & Wardwell
Fried Frank Harris Shriver & Jacobson
Goodwin Procter
Proskauer Rose
Ropes & Gray
Weil Gotshal & Manges
Willkie Farr & Gallagher

As regulatory reforms begin to take effect, the landscape of investment funds is undergoing dramatic changes. One attorney notes that hedge fund managers, who were previously subject to relatively lax governance, are "struggling to cope" with the new requirements. "We very definitely have a lot more regulation proposed in just 12 months than I have seen in the past 20 years," says another partner.

Under Dodd-Frank, US hedge funds with assets of over $150 million will have to register with the Securities and Exchange Commission. Registered hedge fund managers will be subject to regular inspections and will have to provide greater disclosures about their business operations. The deadline for registration, which was originally set for July 2011, has now been extended to March 2012. The costs of compliance will barely make a dent in the profits of multi-billion dollar funds, but some lawyers worry that smaller start-ups may no longer be a viable business proposition. "The chances of two guys in their garage starting a hedge fund are very low these days, compared to what they were three years ago," says one attorney. While some see the registration requirement as detrimental to a free market, others believe they may ultimately be good for investors. "We are seeing a better quality of manager," says another lawyer.

With derivatives used by investment funds as a portfolio management tool, regulations which authorise the SEC to demand greater transparency about short-selling and securities lending will also impact funds. Outside of the US, derivatives are often used as a means of gaining exposure to an underlying hedge fund. "The Volcker Rule is going to have a dramatic effect on private funds," says one attorney. "We have got to see if those are viable businesses in the next few years."

Investors are also demanding greater transparency and pushing for reductions in fees. The financial crisis exposed issues relating to operational risk, for hedge funds in particular. Attorneys report that their clients are experiencing an increase in due diligence requests. In addition, the increasing crossover between the pension market and money management has resulted in pressure to drive down fees and reduce unnecessary risks. Although pension plans traditionally stuck with conservative investments, low interest rates and existing commitments to retirees with defined benefit plans have them towards more speculative funds in desperation for yield. "There's a little bit of pressure on pricing in the US, which is causing more arrangements between money management firms and providers of servicing pension-related assets," says one attorney. "The competition is very big. Employers have got leverage and are using it to drive down prices."

With stiff competition domestically, some funds are looking to expand into international markets. "I think quite a few fund families are looking to expand internally and set up operations in Europe or Asia," says one attorney. "We have got a relatively mature, regulated fund industry in the US, and for expansion there are opportunities in Europe and Asia."

Another trend is the increasing launch of exchange-traded funds (ETFs), which are one of the fastest-growing investment products around. Assets in ETFs have now surpassed $1 trillion, and several big firms are moving towards launching their own ETFs. Although ETFs have the advantage of being less expensive for investors than their more actively-managed rivals, it remains to be seen whether they will steal a significant chunk of the mutual fund market. However, some lawyers have suggested that this cheaper competition may generally force fees down. "I think the ETF market is going to continue to expand," says one partner. "This part of the business cycle tends to be the part where there's more acquisition activity and I see some of that in the pipeline already."

Kirkland & Ellis

With over two decades of representing the management companies of sponsors, private equity is a key practice area of Kirkland & Ellis. Around 60% of the firm's 600 corporate lawyers regularly work with private equity sponsors. Since 1995, it has represented over 280 sponsors in raising over $350 billion of capital for more than 536 funds. One competitor says, "K&E is very established in this space."

The firm regularly represents leading institutional investors in connection with their investments in private funds. At the *IFLR Americas Awards 2011*, which celebrate innovation, Kirkland & Ellis was named *Private Equity Team of the Year*.

Peers credit long-time partner Jack Levin, who has handled fund formation matters for big-name clients including Madison Dearborn Partners, First Chicago, and Bank of America, with helping to build the firm's first-rate practice. Levin, together with other Kirkland lawyers, has written two widely-read treatises on private equity. "They probably came to the private equity fund formation earlier than others because of Jack Levin," says one competitor. "They clearly have a significant private equity practice."

Leading lawyers

Bruce Ettelson
Chris Kallos
Jack Levin

Dechert

Dechert is respected by rivals as a top-notch registered funds practice, and a strong presence in hedge funds. The firm has particular strength in exchange-traded fund formation and is known as an innovator in exchange-traded commodities. It pioneered the development of registered fund of hedge funds, organised the first unit investment trusts to invest in equity securities, and organised the first operational funds of funds.

In August 2010 the firm expanded its capacity with the hire of partner Holland West from Shearman & Sterling.

Peers says the firm's funds practices benefit from its relationships with key figures at the SEC. "They are a little bit faster off the mark in terms of anticipating regulatory changes and that additional regulatory focus may help inform their clients of their place in the market," says one rival. "I think they have picked up their share of the market because of the ties they have with senior people in Washington." The firm successfully submitted a petition to the SEC to exempt certain Canadian mutual funds from SEC regulation.

Dechert's lawyers represent some of the largest mutual fund groups in the world. Assets managed by its top clients range from over $100 billion to $1.5 trillion.

Leading lawyers

Robert Helm
George Mazin
Jack Murphy

Schulte Roth & Zabel

As a dominant force in the hedge fund space, rivals say that Schulte Roth & Zabel is "unquestionably in tier one" for hedge funds. The firm has over 40 years of experience in investment fund formation, and many of its practice areas benefit from its strength in this area. "They are certainly heads and shoulder above everyone else in the hedge fund market and they have grown the funds formation part of that," says one competitor.

A client of the firm says, "I think they are very smart, and very logged into what's happening in the industry." The client singles out "exceptional" partner Stephanie Breslow, co-head of the investment management group and a member of the firm's executive committee, for praise. "She's very smart, very analytical, and understands the hedge fund business," he says. In 2010, the firm added partner Daniel Hunter, who works with hedge funds, hybrid funds and private equity funds, to its New York office. Founding partner Paul Roth, who chairs the firm's investment management group, is described by one peer as "the dean of the bar".

The firm represented the asset management division of Credit Suisse in its acquisition of a significant non-controlling, minority interest in York Capital Management for $425 million in up-front consideration. York is a global hedge fund with approximately $14 billion in assets under management. The transaction, which was the first of its kind to be structured in compliance with Dodd-Frank, closed in November 2010.

Leading lawyers

Stephanie Breslow
Bruce Ettelson
Udi Grofman
Chris Kallos
Paul Roth

Paul Weiss Rifkind Wharton & Garrison

Paul Weiss has a reputation as a strong contender in hedge funds and private equity fund formation. The firm has a reputation for innovation and has developed detailed database which tracks current market trends. One competitor describes Paul Weiss as a place "funds come to because they have difficult issues and they want quality."

One client highlights the firm's "unparalleled expertise". The client says, "They have seen it all and done it all. They treat us like an important client."

Peers pointed to partner Marco Masotti, the deputy chair of the corporate department, as a leading lawyer in the alternative asset management industry. "He's got some good clients," notes one rival. Masotti and associate Lindsey Wiersma represented Wellspring Capital Management in the final closing of Wellspring Capital Partners V, the largest fund in its 16-year history with $1.2 billion of capital commitments. Work on the project concluded in October 2010.

Other highlights of the firm's work include representing the management team of the Lehman Brothers Real Estate private equity funds in the spin-out from Lehman Brothers Holding and certain subsidiaries. The matter closed in May 2010.

Leading lawyers

Robert Hirsh
Marco Masotti

Simpson Thacher & Bartlett

With a multi-talented team involved in what rivals describe as a "broad array" of funds, Simpson Thacher & Bartlett is a behemoth in private equity fund formation, and has a strong practice in other types of funds. "They have a fairly broad-based practice dealing with private equity, credit, debt, some hedge funds," says one competitor. "Simpson does a lot of private equity fund work and fund formation work."

Clients also appreciate the breadth of the firm's experience. "Because of the range of work they do in the marketplace, they have insights that other firms might not have," says one. "They are an extremely good source of what's best practice in the market." The client identifies partner Michael Wolitzer as "particularly outstanding".

The private equity practice more than doubled its revenue between 2005 and 2010, and remains active despite a 16% decline in the overall private equity fundraising market. The firm recently advised Carlyle Asia Partners III, a $2.55 billion fund formed to make privately-negotiated equity and equity-related investments in Asian companies.

In another highlight, the firm represented Castle Creek Capital Partners IV, which focuses on recapitalisation, growth equity and buyout investments in US-based community banks and was $331 million at its final close.

Leading lawyers

Thomas Bell
Barrie Covit
Michael Wolitzer

Sidley Austin

As what one peer describes as "a big player in the hedge fund area and the private equity space", Sidley Austin is one of the strongest contenders across all categories of investment funds. The firm is a powerhouse in hedge funds, and also has a strong practice in registered funds. Its focus in 2010 has been on advising on regulatory initiatives impacting the investment management industry in the United States, Europe and Asia.

Sidley Austin has expanded its team this year with the addition of several partners. In September 2010, Mark Whatley and David Tang joined its hedge fund practice in San Francisco. Alyssa Grikscheit, who advises in emerging markets and cross-border transactions, including fund formation, M&A and joint ventures, joined the firm's New York office as a partner in August 2010. Janelle Ibeling and Daniel Spies were made partners in Chicago in January 2011.

One client appreciates what he describes as the firm's "very accessible, very responsive 24-7 coverage", adding, "We have definitely been a demanding client and they have risen to the challenge every time."

The firm is advising the Garrison Investment Group in connection with the formation of a series of hybrid funds specialising in distressed investments in real estate, corporations and other financial assets. The funds have a total value of $644 million. Other notable work includes representing Roc Capital in its $700 million hedge fund launch, which was one of the first spin-outs of a bank's proprietary trading desk. The spin-out involves Deutsche Bank's quantitative strategies desk.

Leading lawyers

William Kerr
John MacKinnon
David Sawyier
Michael J Schmidtberger

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb Steen & Hamilton is one of the go-to firms for private equity fund formation. "Cleary has the Texas Pacific Group, which is a fabulous client," says one peer. The firm has particular strength in representing sponsors of funds focused on equity and debt investments in emerging markets. It has also been involved in the regulatory developments including the SEC's 'pay to play' rules and the European Union's AIFM Directive.

One competitor describes partner Michael Gerstenzang, who regularly represents TPG, as "an absolutely great lawyer". Gerstenzang has also advised JPMorgan, Deutsche Bank, KKR, and Fortress on establishing private investment funds.

A team led by partner Bob Raymond advised Helios Investment Partners on forming its second private equity fund, Helios Investors II. The fund closed in June 2011with commitments of over $900 million, making it the largest pan-Africa investment fund raised to date. It pursues investments throughout Africa, and has already closed a number of landmark transactions.

The firm also counselled on the formation of TPG Partners VI, TPG's latest flagship private equity buyout fund. The fund has commitments of $18 billion and is focused on opportunities in the US and Europe.

Leading lawyers

Michael Gerstenzang
Elizabeth Lenas
Robert Raymond

Davis Polk & Wardwell

Davis Polk & Wardwell is a well-known name in private equity and a respected presence in hedge funds. The firm has been involved in private equity fund formation matters since they began in the mid-1980s. One competitor says, "They have a handful of big clients and their private equity is very good."

One client, who works with the firm in private equity fund formation, says, "We always feel like we get their best lawyers. They have always made us feel like we were their top priority and when we needed to reach their partners – including the head of the firm – during the nights or weekends, they have always been there."

The firm represented private equity GSC Investment (GNV) as the issuer on the sale of a controlling interest in the company to investors associated with Saratoga Partners. The transaction involved the sale of new equity representing over 35% of the shares of GNV, negotiation of a new investment advisory relationship with Saratoga, and negotiation of a new credit facility with a third-party lender. The transaction was approved by GNV shareholders of GNV and was finalised in summer 2010.

Davis Polk also advised the Securities Industry and Financial Markets Association (SIFMA) on the application of the Volcker Rule to banks and their investments in, and sponsoships of, private equity funds. The firm drafted comment letters for SIFMA in connection with the proposed rules. It is also advising the Asset Manager Group at SIFMA, a group of asset managers whose combined assets exceed $20 trillion, on proposed rulemaking concerning swap transactions.

Leading lawyers

Nora Jordan
Yukako Kawata
Leor Landa

Debevoise & Plimpton

Debevoise & Plimpton's fund formation group, which one competitor describes as "second to none", is at the centre of the firm's practice. The firm's world-renowned private equity group represents an impressive range of clients investing in all corners of the globe. One rival remarks, "They are absolutely in tier one for formation. They are joined at the hip with Clayton Dubilier & Rice."

Peers are impressed by Michael Harrell, who co-chairs the firm's private equity funds and investment management groups. Another competitor says, "Michael Harrell at Debevoise, we see all the time. He's a leading practitioner."

In a fund which closed in June 2010, the firm represented Oaktree Capital Management in establishing the Oaktree PPIP Private Fund, a $4.6 billion fund making investments in CMBS under the US Treasury's Public-Private Investment Program. The fund was formed to purchase troubled securities central to the US financial system.

Debevoise also advised Stone Point Capital on the formation of Trident V, a $3.5 billion financial services buyout fund. This was one of the ten largest funds to close in 2010.

Leading lawyers

Erica Berthou
Jennifer Burleigh
Michael Harrell
David Schwartz
Rebecca Silberstein

Bingham McCutchen

Under the leadership of Roger Joseph, Bingham McCutchen has developed a robust practice in both registered funds and hedge funds. The firm's investment management lawyers have experience with nearly every asset class.

In December 2010, Bingham recruited partner L Kevin Sheridan to its New York office from Goodwin Procter.

Recent highlights include representing WCAS Fraser Sullivan Investment Management as portfolio manager on a multi-tranche CLO transaction worth over $400 million. Other notable work includes advising Pioneer Funds and Pioneer Investments on the potential sale of the US asset management business by parent company, UniCredit.

Leading lawyers

Lea Anne Copenhefer
Thomas Holton
Roger Joseph

Weil Gotshal & Manges

Weil Gotshal & Manges is a force to be reckoned with in private equity fund formation. The firm's fund formation group benefits from the expertise of its highly-respected private equity buyouts practice. "They have a decent number of private equity big names," remarks one competitor. Weil Gotshal regularly advises clients on the regulatory implications of Dodd-Frank and the Wall Street Reform and Consumer Protection Act, including the implications of the Volcker Rule and registration requirements under amendments to the Investment Advisers Act of 1940.

The firm represented long-time client Brookfield Asset Management in the formation of Brookfield Americas Infrastructure Fund, a $2.5 billion fund focused on opportunistic investments in infrastructure assets located primarily in North and South America. The fund closed in September 2010.

Other noteworthy work includes advising another regular client, The Gores Group, on the formation of Gores Capital Partners III. This private equity fund targeted $1.5 billion of commitments and focused on underperforming and undervalued businesses in the US and Europe, primarily in the technology, telecommunications, industrial, business services, media, healthcare and security sectors. It closed in January 2011.

Leading lawyers

Y Shukie Grossman
Jonathon Soler
Jeffrey Tabak
Barry Wolf

For analysis of other leading law firms in the US investment fund market visit the website at www.iflr1000.com

Project finance

Recommended firms
Tier 1
Latham & Watkins
Milbank Tweed Hadley & McCloy
White & Case
Tier 2
Chadbourne & Parke
Shearman & Sterling
Skadden Arps Slate Meagher & Flom
Sullivan & Cromwell
Tier 3
Dewey & LeBoeuf
Mayer Brown
Orrick Herrington & Sutcliffe
Tier 4
Allen & Overy
Baker Botts
Bingham McCutchen
Cleary Gottlieb Steen & Hamilton
Debevoise & Plimpton
Simpson Thacher & Bartlett
Vinson & Elkins
Tier 5
Clifford Chance
Davis Polk & Wardwell
Fulbright & Jaworski
Hunton & Williams
Jones Day
King & Spalding
Morrison & Foerster

After a few difficult years following the financial crisis, business is once again booming for project finance lawyers. An increased interest in renewable energy, prompted by rising fuel prices and promoted by the Obama administration, has provided opportunities domestically. Developments in emerging markets, such as Asia, Latin America and the Caribbean, have created international transactions requiring expertise from US lawyers. "The market is much better this year," says one attorney. "People have crawled out of their shells and are a lot more active in developing new projects." Another partner remarks, "Now is a great time to be in the business."

Firms report an upswing in alternative energy transactions, particularly in the wind sector and in solar projects, where technology is getting cheaper due to competition. "It's not like you're building a gas turbine, where there are only a few manufacturers in the world," one partner notes. However, pressures on the US treasury have created some uncertainty over the future of such projects, which are largely government-funded in the US. One attorney describes the future of renewable energy as "the gentle victim of a violent struggle between budget concerns and those who want to find a solution to our environmental needs."

The deadline for the Department of Energy's Loan Guarantee Program resulted in what one attorney describes as a "sprint to the finish" through most of 2011, as clients scrambled to close deals before the September 30 cut-off. The controversial program, which assures funding for eligible clean energy projects, has been the subject of heated debates between Democrats and Republicans in light of recent budgetary pressures. Lawyers battled against the clock and the program's bureaucratic requirements to get projects approved for their clients. "A friend of mine once said that project finance starts with a dream and then you try to express it in less than 10,000 pages," comments one attorney. "I think there's a lot of truth in that."

Uncertainty over the future of the program has forced lawyers to consider other options for their clients. Although turning to the capital markets for funding is a possibility, particularly to finance international projects, it is a difficult proposition in many cases. "Capital markets don't baby deals like banks do," says one partner. "You can only use the capital markets for projects where you are very confident in your ability to close on time." Additionally, the liquidity of the past year is threatened by the end of QE2, and the fact that there are no immediate plans for a third round of quantitative easing. Some attorneys also expect that world events, such as upheavals in the Middle East and the earthquake, tsunami and nuclear crisis in Japan, may redirect international investment.

The Japanese disaster, which took place in March 2011, has "definitely fuelled the debate over nuclear energy in the US," according to one lawyer. "Six months ago, everyone was gung-ho about nuclear expansion," laments another partner. Whilst existing transactions are generally going ahead, some firms report that the public perception of nuclear power, combined with fiscal limitations, has slowed down the flow of new deals in the sector. "I think there's still some push for nuclear being a source of energy that's relatively clean, but it's almost being pushed off the pages by the deficit discussions here," says a third practitioner.

Latham & Watkins

Latham & Watkins is at the forefront of project finance innovation, and has one of the largest teams in the United States. One peer describes the firm's practice as "very impressive", adding: "they have some fantastic people." In 2010, the firm advised on 46 project finance transactions around the world, with a total deal value of over $34 billion. "Latham is the firm that I see most often," notes another competitor. "They are mostly representing banks or finance providers in deals that I do."

Partner David Gordon is singled out for praise by one rival, who says, "I always think of David as being one of the better project finance partners out there." Partner John Sachs is described by another lawyer as "a well-known name".

The firm acted as common lenders' counsel on the PNG (Papua New Guinea) LNG (liquefiednatural gas) project, an $18 billion natural gas scheme in Papua New Guinea. The scheme, which is the largest-ever project financing, is designed to provide customers in Asia with 6.6 million tons of liquefied natural gas per year, which have been sold under 20-year agreements to Asian buyers. The transaction closed in March 2010.

Leading lawyers

Kirk Davenport
David Gordon
Jeffrey Greenberg
Raymond Lin
Jonathan Rod
John Sachs

Milbank Tweed Hadley & McCloy

With an army of more than 100 dedicated project finance lawyers, Milbank Tweed Hadley & McCloy remains a top choice for clients looking to finance complex schemes around the world. "Milbank remains strong and they have continued to do a lot of stuff," says one competitor. Another rival remarks, "Those people know what they are doing."

In June 2010, prominent partner Edwin Feo, described by one rival as Milbank's "number one rainmaker", retired from the firm. Feo, the former co-chair of the firm's energy and project finance practice, went on to become managing director of USRG Renewable Finance, a private equity company specialising in renewable energy. "I think they are big enough to weather it, though," says a rival. "In the short-term they are definitely still top-end. Whether they will stay there is hard to say."

The firm's project finance group continues to retain many star players. Its Washington, DC-based projects group is led by Jonathan Maizel, who peers characterise as "a very experienced project finance lawyer". One competitor, who has sat across the table from Maizel, says, "He did a very good job representing his clients. He's very smart."

Over the last three years, the firm has completed over 140 project financing deals, which raised more than $125 billion for infrastructure projects around the world. These include a first-of-its-kind toll road in Latin America, a wireless telecom build-out in Asia and some of the largest wind and solar farms in the world.

Leading lawyers

Daniel Bartfeld
William Bice
Richard Brach
Edward Kayukov
Jonathan Maizel
Allan Marks
Carolina Walther-Meade
Karen Wong

White & Case

Described by one rival as "great global brand", White & Case is a major player in international energy, infrastructure and project and asset finance. The firm closed $39.5 billion of global project finance transactions in 2010. A competitor says, "They do a tremendous amount of work in emerging markets", and a client remarks, "You get consistency in service if you go to London, New York, Washington or Tokyo."

The firm has an expansive international client base including Hess, Banco Santander, Nuclear Innovation North America, BBVA, and Mizuho Corporate Bank. In April 2011, it boosted its US-based practice by recruiting Elena Millerman, formerly of Debevoise & Plimpton, to its New York office.

"I really appreciate the communication," says one client. "They explain things very clearly in business language, not in legal language, which means a lot. They are also really good at coming to the point and being concise. I enjoy them and have a good working collegial relationship with them, based on mutual respect."

White & Case represented a consortium known as the LBJ Infrastructure Group in a deal which financed improvements to 17 miles of the LBJ Freeway in Texas. The transaction, totalling over $1.4 billion, closed in June 2010 and was the largest-ever private activity bond for a public-private partnership (PPP) deal. It involved a $615 million offering of tax-exempt private activity bonds and the closing of a $850 million loan from the US Department of Transportation.

In April 2011, the firm represented Citigroup Global Markets and Santander Investment Securities as lead arrangers in the $575 million financing of the Alpha Star offshore oil drilling rig. The rig is one of the world's most technologically advanced and is designed to exploit pre-salt deposits in Brazil as part of the Petrobras effort. The transaction involved 14 lenders and parties, and legal issues in Brazil, the UK, the British Virgin Islands, the Netherlands, Panama and the US.

Leading lawyers

Troy Alexander
George Crozer
Victor DeSantis
Arthur Scavone

Chadbourne & Parke

With expertise in biofuels dating back to 1999, Chadbourne & Parke has a particularly strong presence in the US domestic market and is recognised by peers as a go-to shop for renewables. "They have been in that space for quite a while and have both depth and long-time experience," says one competitor. "They have managed to develop a strong practice that has lasted."

The firm suffered a blow in May 2011, when a team led by prominent partners Edward Zaelke and Adam Umanoff left to join Akin Gump Strauss Hauer & Feld. The group also included Thomas Dupuis, Lloyd MacNeil, Kerin Cantwell and Daniel Sinaiko, as well as five counsel and five associates.

However, the firm's lawyers continue to attract praise from peers and clients. Partner Keith Martin was described by one rival as "one of the key people in the energy industry", while a competitor who has worked across the table from Vincent Dunn identifies him as a "very effective" up-and-coming partner. Senior partner Chaim Wachsberger commanded respect across the board. "Chaim has been in the project finance area for a very long time," says one client. "He's very intelligent, very calm under pressure, a good negotiator and very efficient."

In July 2010, the firm represented sponsor Terra-Gen Power, four separate project companies and holding company Terra-Gen Alta Wind on a $1.2 billion construction financing of the first wind farm financing to be structured as a leveraged lease. The financing combined a Rule 144A bond issuance, a US Treasury cash grant, credit facilities from commercial banks and a forward commitment from tax-motivated equity to purchase and lease back to Terra-Gen each phase of the project. The project, which cost $1.95 billion in total, represented the first time that a US Greenfield project bond has been given investment-grade public ratings.

Other work of note includes advising a group of lenders on the $1.5 billion senior secured construction financing for the Ruby Pipeline Project, a natural gas pipeline which runs from Wyoming to Oregon's border with California. The $3 billion project was the largest commercial bank project financing to close in North America in 2010.

Leading lawyers

Todd Alexander
John Baecher
Vincent Dunn
Peter Fitzgerald
Douglas Fried
Lynne Gedanken
Keith Martin
Chaim Wachsberger
Paul Weber

Shearman & Sterling

Shearman & Sterling has made international headlines this year with some of the largest and most complex project finance deals around the world. Clients appreciate the firm's "international scope" and "flexible and reasonable" fee structure. Peers note that the firm is particularly strong in the natural resources and mining sectors. One competitor says, "They do the complicated cross-border deals."

The firm represents major players including GE Energy Financial Services, Carlyle, Citibank, Macquarie, Fortress Investment Group and the US Department of Energy. "They are extremely good at understanding your business sensitivities," says one client. "You feel like you can trust them. They will alert you on something they know you will care about."

Shearman & Sterling's partners have impressed both peers and clients. One customer who regularly deals with Alexandro Padrés and Gregory Tan describes them as a "class act", adding that they are "pro-active", with an "ability to lead". A rival who has worked across the table from Robert Freedman, co-head of the firm's sustainable development group, says, "He's particularly reasonable and he's smart." A client who worked with Cynthia Urda Kassis says, "It was a very challenging negotiation and she was just outstanding. Even at a good firm, she was a star." Another customer describes Barbara Edwards as having "a great demeanour, which we always appreciate in a tough spot."

In January 2011, the firm advised Essar Global as sponsor, and its subsidiary Essar Steel Minnesota as project company, on the financing of a $1.1 billion mining project in Northern Minnesota. The scheme, known as the Integrated Iron Ore Pellet Plant Project, will be the first facility in North America which handles all aspects of the iron ore mining to steel-making process on-site.

The firm is currently representing Banco Nacional de Desenvolvimento Econômico e Social as the primary financier in a proposed $19 billion high-speed rail project connecting the Brazilian cities of São Paulo and Rio de Janeiro. The venture is set to be the largest infrastructure project to date in Latin America and will have far-reaching social and economic consequences.

Leading lawyers

Robert Freedman
Patricia Hammes
Howard Steinberg
Gregory Tan
Cynthia Urda Kassis

Skadden Arps Slate Meagher & Flom

With expertise in closing difficult transactions around the world and some of the most experienced lawyers in the industry, Skadden Arps Slate Meagher & Flom has a project finance practice which has stood the test of time. "There isn't any style of project or location that Skadden isn't familiar with, and their deep knowledge of all the key aspects of project finance are critical in solving the various problems that come up when doing any project finance deal," says one client.

The firm is particularly active in the power sector. It handles many of the largest and most complex projects involving loans from the Department of Energy and is currently working on over $10 billion of solar projects in the US. One competitor notes, "Skadden's project practice really grows out of their power industry practice."

The firm saw the retirement of several key practitioners in 2010. Partners Leslie Goldman and Jeffrey Christie retired in May and June respectively, followed in December by DC legend Erica Ward, who one rival describes as "the top project finance lawyer in Washington". However, the firm's legacy continues through partners such as Harold Moore, who was singled out for praise by several competitors. One peer identifies him as "one of the deans of the practice", adding, "He's been around forever and he's very well-respected." A client also identifies Moore, and colleague Tatiana Monastrskaya, as being amongst the best project finance lawyers in the country. "Their knowledge, attention to detail and expert advice are critical to me in all my deals," he says. "They are my number one choice across the street."

In an ongoing deal, the firm is representing NV Energy in the first transmission project to receive a loan guarantee from the Department of Energy. The $343 million loan will fund a project known as ON Line, which will connect power grids throughout Nevada.

The firm is also currently advising First Solar in obtaining a $967 million loan guarantee from the US Department of Energy for the 290 MW Agua Caliente solar project in Arizona. The deal is expected to be the largest operational photovoltaic site in the world.

Leading lawyers

Lance Brasher
Julia Czarniak
Paul Kraske
Harold Moore
Martin Klepper

Sullivan & Cromwell

What Sullivan & Cromwell's project finance group lacks in size, it makes up for in quality. "They have a very high-end group but a small group," says one competitor, while a client identifies them as "a leader in project finance". Peers note the firm's strength in mining and natural resources, and clients praise its partners' expertise in emerging markets. Sullivan & Cromwell advises industry giants including Exxon Mobil, RBS, RBS Securities and N M Rothschild & Sons.

The firm's stars include Fred Rich, who heads its global project development and finance group. One client says, "Fred is extremely good at being able to come up with practical solutions to complicated issues and being able to explain those solutions to a wide array of audiences and not come across as a typical Wall Street lawyer. He's very thoughtful about the implications of a given structure."

The firm has played a key role in advising on the PNG (Papua New Guinea) LNG (liquified natural gas) project, the largest-ever project financing, which involves an $18 billion natural gas scheme in Papua New Guinea. It is expected to provide customers in Asia with 6.6 million tons of liquefied natural gas per year, which have been sold under 20-year agreements to buyers in China, Japan and Taiwan. Sullivan & Cromwell was counsel to the project and its sponsors on the transaction, which closed in March 2010.

Since May 2001, the firm has been the sole international finance counsel in an ongoing $3.9 billion pipeline development designed to transport up to one million barrels of oil per day from Baku in Azerbaijan to the port of Ceyhan in Turkey. The scheme, known as The Baku-Tbilisi-Ceyhan Pipeline, involves many leading international oil companies and multiple lenders from around the world.

Leading lawyers

John Estes
Sergio Galvis
Christopher Mann
Fred Rich

For analysis of other leading law firms in the US project finance market visit the website at www.iflr1000.com

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
Paul Weiss Rifkind Wharton & Garrison
Wachtell Lipton Rosen & Katz
Tier 3
Akin Gump Strauss Hauer & Feld
Cadwalader Wickersham & Taft
Jones Day
Kramer Levin Naftalis & Frankel
Latham & Watkins
Shearman & Sterling
Simpson Thacher & Bartlett
White & Case
Willkie Farr & Gallagher
Tier 4
Bingham McCutchen
Cleary Gottlieb Steen & Hamilton
Debevoise & Plimpton
Dewey & LeBoeuf
Fried Frank Harris Shriver & Jacobson
Kasowitz Benson Torres & Friedman
Quinn Emanuel Urquhart & Sullivan
Schulte Roth & Zabel
Sidley Austin
Tier 5
Brown Rudnick
Gibson Dunn & Crutcher
Morgan Lewis & Bockius
Paul Hastings Janofsky & Walker
Stroock & Stroock & Lavan
Wilmer Cutler Pickering Hale & Dorr
Tier 6
Arnold & Porter
Dechert
Mayer Brown
McDermott Will & Emery
Orrick Herrington & Sutcliffe

For restructuring and insolvency lawyers, who make their living from a counter-cyclical market, the gradual recovery of the US economy has been bad for business. Whilst there is still some activity in the middle market, the past year has been characterised by what one partner describes as "a dearth of the very large filings". Cheap and plentiful credit has resulted in a wave of amend and extends, but new mega-filings are now few and far between. According to one attorney, the market is "far from non-existent – but it's certainly past its heyday." Another laments, "There's little if any real restructuring."

The Federal Reserve's quantitative easing programs and decision to keep interest rates low have resulted in increased liquidity, and created ideal conditions for struggling companies to refinance. "We have got companies in denial, going through tough times, and we have got people willing to throw money at them," remarks one partner. With healthy companies selling at what some buyers see as unrealistic prices, bankruptcy as an M&A process - where lenders end up owning some or part of the company - has become popular.

However, there is still plenty of bad news for bankruptcy lawyers to smile about. "There's a lot of high-yield debt out there," says one partner. "If there's an uptick in interest rates, I think we will see the overall restructuring activity increase." Another attorney observes, "The default rate is currently low. I'm an optimist by nature – I think we are going to have more defaults."

Sectors which are generating a lot of restructuring work include real estate, financial services and retail. Though corporations are sitting on trillions in cash after trimming jobs during the downturn, this has not resulted in a marked upswing in job creation. As a result, the retail sector has struggled to entice consumer spending; by August 2011, sales expectations were at their lowest in over two years, according to the D&B National Business Expectations Survey. In the finance industry, the recession has led to an unwinding of what one practitioner describes as "these ridiculously over-structured products", many of which were constructed to support the mortgage market. According to the Case-Shiller Index, real estate prices in March 2011 were down by 37% from their 2006 high. "I think the real estate sector is definitely driving a lot of the restructuring right now," notes one partner.

With short-term state tax revenue tied to property values, some attorneys had hoped that municipal defaults would generate business this year. "You can't pick up the paper without reading about municipal defaults," says one attorney. "That's a problem which is looming on the horizon and may require some kind of congressional fix." Yet while the controversy over whether it is constitutional for states to file kept journalists busy, most bankruptcy attorneys were left twiddling their thumbs. "It was going to be the next big thing – but it wasn't," says another partner.

Large and complicated international transactions were also making headlines this year. Nortel, once one of North America's largest telecommunications companies, filed for insolvency protection in 2009. As part of the bankruptcy, the Toronto company completed the sale of its $4.5 billion patent portfolio in June 2011. With creditors led by bondholders in the US and pension trustees in the UK, resolving the cross-border legal issues was a complex proposition. The trend towards globalisation is likely to benefit firms with an international scope. "As the world becomes more and more closely knit together, companies become both larger and more integrated globally," says one practitioner. "This is going to be an increasing phenomenon. International firms are going to benefit from this completely, because involvement requires the ability to get an almost instant answer."

Kirkland & Ellis

With what peers describe as a "top-notch" practice and a "substantial group of very talented people", Kirkland & Ellis distinguishes itself as one of the leaders of the pack. The firm handles some of the largest and most complex insolvency matters domestically and abroad, and has earned an international reputation for achieving results.

In March 2011, the firm was named the *Restructuring Team of the Year* at the *IFLR Americas Awards 2011*, which recognise the most innovative cross-border transactions. "I think Kirkland & Ellis probably has the lion's share of debtor cases by a fair margin, and if anything they are on the ascendancy," notes one competitor. Another rival remarks, "You have them as number one for a reason - I think they are the best at this."

Partner James Sprayregen, who returned to the firm in 2008 after leaving to work at Goldman Sachs for several years, is widely recognised as one of the top lawyers in the industry. "K&E is a machine, and that's even more true since Jamie Sprayregen went back to Chicago," says a third peer. One client, who has worked with a team led by partner David Eaton, says, "They were very up on all the options in bankruptcy and what needed to take place. Particularly in the beginning, when we didn't know anything about it, they were very good at laying out options and providing different alternatives."

The firm represented chemical company Chemtura in a $3.1 billion Chapter 11 reorganisation, completed in November 2010. Chemtura restructured its 4000-employee business, resolved billions of dollars in environmental and mass tort claims, and emerged with a plan to fully pay all creditors, including $1.5 billion in funded debt. The plan was confirmed after a four-day trial, in which the company successfully defended its calculation of enterprise value, and a series of complex settlements underlying the plan.

Other notable work includes advising shopping mall operator General Growth Properties on restructuring $29.6 billion in total assets and $27.3 billion in total liabilities. All creditors will receive a 100% recovery of their claims against the debtors, and equity interests were reinstated under the plan. The transaction was completed in November 2010.

Leading lawyers

Paul Basta
Richard Cieri
Edward Sassower
James Sprayregen

Skadden Arps Slate Meagher & Flom

Skadden Arps Slate Meagher & Flom is widely regarded as one of the best firms in the country for innovative, flexible and timely bankruptcy advice. The firm pioneered the use of pre-packaged bankruptcies, in which refinancing terms are worked out prior to filing Chapter 11, avoiding millions of dollars of fees. In the fastest bankruptcy in US history, Skadden shepherded Bluebird in and out of Chapter 11 in only 32 hours. Peers describe the firm as having "an excellent debtor-side practice" with "a huge debtor client base" and "a pretty impressive group and deal sheet".

Over the last year, the firm has seen the retirement of two of its New York-based restructuring partners – Kayalyn Marafioti, who left in December 2010, and J Gregory St Clair, who finished with the firm in March 2011. In May that year, senior partner Gregg Galardi left the firm to become co-chairman of DLA Piper's bankruptcy and reorganisation group. "Gregg's a good lawyer - I think that's a big loss for them," says one rival.

However, the firm continues to retain plenty of talent. One competitor describes senior statesman J Gregory Milmoe, who co-leads the firm's corporate restructuring group, as "a terrific guy – I don't think he'll ever retire." In April 2011, the firm promoted Glenn Walter to partner in its LA office.

Skadden represented movie production company MGM Studios and 159 affiliates in a series of pre-packaged bankruptcy cases. MGM, which filed for Chapter 11 in November 2010, converted $5 billion in secured lender claims to equity in the reorganised company. After defeating a hostile takeover attempt, MGM won support from 96% of its secured lenders. Despite the size and complexity of the cases, Skadden was able to obtain confirmation for the plan less than one month after the cases commenced, representing the largest pre-packaged bankruptcy case ever to be confirmed in less than 30 days.

The firm has also been advising Black Diamond Capital Management for over eight years in distressed M&A transactions and in roles including as a purchaser of distressed assets, a sponsor of Chapter 11 reorganisation plans, a purchaser and seller of debt and equity securities and as a lender both inside and outside of Chapter 11 proceedings.

Leading lawyers

John Butler
Jay Goffman
J Eric Ivester
J Gregory Milmoe
George Panagakis

Weil Gotshal & Manges

Weil Gotshal & Manges remains a top choice for corporations, lenders, and investors who need sophisticated advice on restructuring and insolvency matters. Weil has been a pioneer in the development of pre-packaged and pre-negotiated Chapter 11 filings, discovering new methods of limiting a company's stay in bankruptcy court. One competitor says, "They have got infinite numbers of very strong people". Competitors note particular expertise on the debtor side; another peer remarks, "I think they are the best debtor-side firm out there."

Peers express great respect for Harvey Miller, who has been a member of the firm's management committee for over 25 years. One rival describes Miller as "a go-to guy", while another calls him "one of a kind". However, the firm suffered the loss of up-and-coming star Shai Waisman, who was one of the key partners assigned to the Lehman case, in April 2011. He joins the Claims Recovery Group, a Chapter 11 claims trading business.

Clients were also generous with their praise. "They have got lots of resources, great experience, lots of good lawyers and my organisation has a very good relationship with them," says one customer. The client singles out partner Gary Holtzer for praise, remarking, "He's very responsive, very client-focused, smart and has a great deal of experience."

In a case which closed in August 2010, the firm represented Texas Rangers Baseball Partners in the filing of its Chapter 11 case to sell the Texas Rangers Major League Baseball Club and related assets to Rangers Baseball Express. When the sale was challenged by creditors, an auction was held in which Rangers Baseball Express, at $590 million, was the high bidder.

The firm also advised movie rental chain Blockbuster in the filing of its Chapter 11 cases designed to de-leverage the business so that all existing senior secured debt will be converted into equity, exiting bankruptcy. After a two-day auction, the company agreed to sell most of its assets to DISH Network for $320.6 million. Under the agreement, Blockbuster's estate will receive $227 million in cash.

Leading lawyers

Marcia L Goldstein
Harvey Miller
Joseph Smolinsky

Davis Polk & Wardwell

Davis Polk & Wardwell is recognised by clients and competitors as having an outstanding international practice in restructuring and insolvency. "They tend to have more complicated transactions, more complicated issues and more global matters generally," says one competitor.

The firm's lawyers have made their mark on the industry. The practice is led by Donald Bernstein, who a peers describe as "a good senior statesman type" and clients see as "an excellent strategist" and an "effective leader". Up-and-coming partner Elliott Moskowitz is also turning heads. "He's a very young guy - he made partner two years ago - but he's very thoughtful, he really gets his homework done and he's a very straight shooter," says another competitor. A client depicts partner Brian Resnick as "insightful, thoughtful, organised; always has my back, always prepared", and partner Karin Day as being "a complete professional, one of the most impressive lawyers that I have worked with in her area of expertise."

Davis Polk is advising the Federal Reserve and the US Treasury on the recapitalisation of AIG, which was completed in January 2011. At the close of the $180 billion transaction, AIG repaid the Fed $47 billion, including the outstanding balance on an $85 billion credit facility, and no longer has any outstanding obligations to the Fed. The Treasury now owns 92% of the company and $20 billion of preferred equity interests in two AIG subsidiaries.

The firm is also counselling JPMorgan Chase, as agent bank on a syndicated senior credit facility, in relation to the Chicago Tribune's efforts to restructure $13.5 billion of debt under Chapter 11. The sum includes money owed from its 2007 leveraged recapitalisation.

Leading lawyers

Donald Bernstein
Marshall Huebner

Milbank Tweed Hadley & McCloy

Milbank Tweed Hadley & McCloy has handled some of the most prominent restructuring and insolvency cases in the US and Europe over the last few years. The firm has particular expertise in the capital markets space and is supported by its solid corporate finance practice. "Milbank has the ability," says one competitor, while another notes that the firm "has probably the most impressive creditor comp résumé of any firm."

The firm is representing the creditors' committee in Lehman Brothers, the largest bankruptcy in US history. Other notable work includes advising a consortium of holders of movie rental company Blockbuster's 11.75% senior secured notes, due in 2014, in a competitive bidding and auction process under Chapter 11. The consortium submitted the stalking horse bid for substantially all of Blockbuster's assets. Although the bid was unsuccessful, it led to a competitive auction process in which the sale price increased significantly. This resulted in increased recoveries for note holders.

Leading lawyers

Paul Aronzon
Matthew Barr
Dennis Dunne

Paul Weiss Rifkind Wharton & Garrison

Paul Weiss Rifkind Wharton & Garrison has represented parties in nearly every significant Chapter 11 case over the last few years. Competitors note the firm's "excellent creditor-side work". Its areas of expertise include real estate, media, hospitality and gaming assets.

"They certainly have some very prominent lawyers," says one rival, while another peer notes, "They have a deep bench, can represent all kinds of clients and they are very smart." One client says she is "thrilled and completely impressed" with partner Kelley Cornish. "She had to negotiate an incredibly complex restructuring with a very large number of people," says the customer. "She has been at the centre of it in terms of negotiating, making sure we stayed on course, developing solutions as problems evolved, and she had a very good relationship with the financial advisors and incredible credibility at the table." Another client says, "I am happy to give them the highest recommendation."

The firm was lead US bankruptcy counsel for AbitibiBowater, the world's largest producer of newsprint, and its affiliates. Paul Weiss helped guide the company through complex US and Canadian bankruptcy filings involving restructuring over $8 billion of debt. These resulted in the repayment of secured creditors with claims of $1.2 billion and a distribution of equity in the reorganised company to unsecured creditors with claims of over $7.5 billion.

Other notable work includes representing schoolbook publisher Houghton Mifflin Harcourt Publishing Company and its affiliates in one of the largest out-of-court balance sheet restructurings to date. The $7 billion reorganisation closed in February 2010. Highlights include senior secured lenders with claims of over $4 billion converting over half their debt into equity, a $650 million rights offering to certain company lenders, and mezzanine lenders with $2.1 billion of secured debt converting all of their debt into equity and warrants to purchase additional equity.

Leading lawyers
Alan Kornberg
Andrew Rosenberg
Jeffrey Saferstein
Stephen Shimshak

Wachtell Lipton Rosen & Katz

Wachtell Lipton Rosen & Katz has one of the nation's most well-respected bankruptcy practices. The firm is involved in some of the most significant sponsor and strategic acquisitions and investments and has a reputation as a leader in takeover defence and shareholder activism. Peers describe it as "one of the best-quality firms" with "really smart people who can litigate well and do M&A."

Despite having a relatively small team, the firm is known for punching above its weight. Over the past eight years, it has advised on seven of the ten largest transactions in the US and five of the ten largest transactions internationally.

Wachtell recently advised the US Treasury in its $200 billion rescue investments in Freddie Mac and Fannie Mae. It also represented JPMorgan Chase in the Chapter 11 cases and SIPA proceedings of Lehman Brothers.

Leading lawyers
Edward Herlihy
Daniel Neff

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