

corporate financing week

Exclusive capital markets news for corporate executives and investment bankers

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Assessing The Damage

Investment pros gathered at the Harvard Club in New York last week to discuss the state of financing and deal-making amid the credit crisis. Discussions included how long private equity firms will be feeling the pain and whether corporations will pick up their deal-making pace.

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HIRING PULLBACK STARTS TO SPREAD

The fallout from constricting markets continues to tighten hiring at big investment banks. UBS Investment Bank, Lehman Brothers, Merrill Lynch, Bear Stearns and Deutsche Bank are all holding back, according to officials at the firms or people who have spoken with them. In this market firms don't want to buy out a banker's bonus, reduce the bonus pool for everyone else and not see returns from the banker until after gardening leave is up, summed up one person close to the action—or lack thereof.

Deutsche Bank CEO **Josef Ackermann** told German broadcaster *ZDF* two weeks ago that the bank would curtail planned hiring and a UBS spokesman told *CFW* last week that the firm has instituted a more rigorous policy for non-strategic hires. Lehman, Merrill and Bear Stearns officials had no public comment but people close to them all told *CFW* they are ready to batten down the hatches. In fact, Bear Stearns has reportedly instituted a hiring freeze.

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PAIN TO REMAIN FOR BUYOUT FIRMS

While popular sentiment is that deal-making will return once the credit crunch is stabilized, some say private equity firms will be hurting for some time. "The market will clear out, but the after-effects of the lunacy of the 2006 and 2007 will be with us for some time," said **Kim Davis**, managing director of **Charlesbank Capital Partners**, during *The Deal's* Innovative Deal Financing conference last week in New York.

Davis expects to see tiffs between management teams and their private equity owners when the private equity firms can't sell companies at as high a multiple as they'd planned. Lower deal prices could also hurt private equity fundraising efforts, Davis noted, as buyout firms struggle to score plum returns for their investors. "It's very tough," he said.

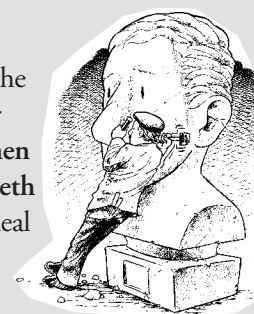
New private equity shops will also struggle, as banks may feel comfortable only providing financing to firms with long track records, said **James Epstein**, partner with the law firm

(continued on page 5)

SCHWARZMAN, SALLY BEAUTY TAKE RAINMAKER AWARDS

CFW presents the winners of its sixth annual awards, spotlighting the people and firms which molded the corporate financing world over the past year. The Blackstone Group's headline grabbing ceo **Stephen Schwarzman** beat **Henry Kravis** and former UBS dealmaker **Kenneth Moelis** for top personality. The tax-free spinoff of **Sally Beauty**, a deal between **Alberto-Culver** and **Clayton Dubilier & Rice**, won the nod for best deal over **Seabury Group's** financing for **Northwest Airlines** and **Blackstone's** acquisition of **Equity Office Properties Trust**.

(full coverage starts page 6)



Check our Web site www.corporatefinancingweek.com during the week for breaking news and updates



In The News

Ex-HSBC Media Banker Buys Into Real Estate

Robert Elms, a former director in HSBC's disbanded media group, recently joined real estate firm Cushman & Wakefield as a managing director of investment banking. Elms' former position was eliminated in December 2006 when HSBC cut its media group. He had been at HSBC since July 2004.

Since December, Elms focused on his stake in real estate partnership, Muirfield Equity Investments, created in 2003 when Elms left JPMorgan. The firm is based and holds properties in Texas. Elms said he learned of the position at Cushman & Wakefield through industry contacts and was interested in real estate. The industry interests him because it offers a combination of local dynamics and corporate financing for smaller companies rather than the thousands of variables that can affect large companies like those in media. He officially started his position Sept. 4.

Canaccord Seeks West Coast Banker

Canaccord Adams recently created a new mergers and acquisitions group and is looking for a managing director-level banker in San Francisco. Canaccord could hire someone in the next three to six months and is currently interviewing, said Andy Viles, managing director and U.S. head of M&A.

The group currently includes Viles, David Gray, a former banker at SVB Alliant and Broadview International, and Morgan Ley, principal at Canaccord. Previously, the responsibility of mergers and acquisitions was left within the bank's industry groups. The firm decided it would benefit from allowing the bankers within the industry groups to focus on getting more mandates and corporate financing deals while the new group focused on mergers for clients. The bank initiated the change as part of its expansion plan to build its offerings, which included recently hiring M&A bankers in Canada and the U.K.

The new group works with companies with a market capitalization of \$2 billion or less. Viles first anticipates focusing on transactions of \$100 million to \$500 million.

Court Precedent On Sallie Mae's Side

If the Sallie Mae and J.C. Flowers dispute goes to court, precedent is on Sallie Mae's side. "The court will generally uphold the deal and require the buyer to complete the transaction," said one lawyer involved in the Sallie Mae deal who spoke in general terms about material adverse change, or MAC, clauses.

The Flowers-led investor group that agreed to acquire Sallie Mae for \$25 billion is arguing recent legislation to cut government subsidies to student lenders represents a MAC. Sallie Mae maintains the legislation was common knowledge and does not constitute a MAC.

In 2001, a Delaware Chancery Court ruled against Tyson Foods after it tried to walk away from a \$3.2 billion takeover of Iowa Beef Processors. Tyson had argued it relied on misleading information in entering the merger after IBP missed short-term earnings projections. The court said short-term losses did not affect the company's long-term earnings potential. "The change you're saying is material and adverse has to be sustained, not temporary," said the lawyer.

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**Institutional
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INTELLIGENCE FIRST

Will VCs Fill Private Equity's Place?

Observers are pointing to venture capital firms' ability to take the role of leveraged buyout firms in technology deals, as the market waits for banks to digest debt already committed for leveraged buyouts.

In a recent report on technology investments, **Greg Ager**, partner at **Udata Advisors**, pointed to venture firms with large funds: **Insight Venture Partners**, **Battery Ventures**, **JMI Equity**, **HIG Ventures**, **Bessemer Venture Partners** and **Polaris Venture Partners**. Ager wrote the LBOs of technology companies with stable cash flows will give way to equity investments in younger companies with burgeoning revenue growth. He predicted that with larger venture funds raised, firms will write larger equity checks and often take majority positions, instead of the typical minority stake. "If the right combination of management team/product/market opportunity is found, why not invest twice as much capital and own twice as much of the company and sit on one fewer board?"

Jeff Horing, founder of **Insight Venture Partners**, said there are investments to be made, but disagreed with the idea that venture funding could do deals that private equity can't. If it wouldn't work for private equity it also wouldn't work for venture. However, the middle market is still an opportune area for venture to exit investments and cautiously enter others, he said. The firm has a \$1.2 billion fund that it accesses for deals

with enterprise values of \$100 million to \$400 million. Horing called the current market cloudy because he feels that the environment could change and therefore affect deals. Based on the market, he would be comfortable investing \$100 million to \$150 million in technology companies during the next three to six months. He has an interest in established software companies, infrastructure technology companies and Internet companies that offer content and community.

Estee Lauder Could Be Eying Targets

With the tightened credit markets comes some opportunity for strategic acquisitions, and observers are expecting **Estée Lauder** to be among those interested buyers.

"Now that the M&A markets appear to have returned to more rational levels, [Estée Lauder] is optimistic that it can participate more actively again," wrote **Credit Suisse** analysts in a report after meeting with the company's management. The company has publicly said it is talks with six to 10 companies including a fragrance company in Europe.

Filippe Goossens, analyst at **Credit Suisse**, wrote the analysts at the meeting reiterated their opinion that **Natura** would be a good for the company in Brazil. Calls to Goossens were not returned.

Calls to **Sally Susman**, executive v.p. of communications at **Estée Lauder**, were not returned.



Private Equity/LBO News

L.A. Firm Lines Up Exits



Luis Nogales

Nogales Investors Management expects to have sold half its portfolio by the end of first quarter 2008. **Luis Nogales**, the former **Univision** president who founded the L.A.-based private equity firm, said he is set to sell one portfolio company Oct. 17. In addition, Nogales has retained an investment bank to sell another company, which should occur in

the first quarter of 2008.

The two deals, together with the firm's exit in February of sports and auto accessory retailer **G.I. Joe's**, accounted for half of Nogales' portfolio at the start of the year. Nogales declined to say which companies are on the block. The remaining companies in its portfolio are **Alfa Leisure**, **Chick's Sporting Goods**, **Denver Radio Company**, **Graphic Press** and **Video King Gaming Equipment**. Nogales invested in each of the companies in 2005, except for **Graphic Press**, acquired in 2004.

Nogales said he expects a similar return on the next deal as

the firm received when it sold **G.I. Joe's** to **Gryphon Investors**, a San Francisco-based private equity firm. Terms of that deal were not disclosed, but according to Nogales, the firm earned three times the equity it invested and a 74% internal rate of return.

Nogales recently closed its second fund at \$245 million (CFW, 9/17).

Palo Alto Shop Eyes Next Fund

Fresh off of raising an additional \$100 million from its investors, **Bertram Capital** plans to return to the fundraising trail in the second half of 2008. **Jeff Drazan**, managing director, declined to name a target size for **Bertram's** second fund, but said it would be less than twice the size of its premier fund at \$350 million.

The Palo Alto, Calif.-based private equity firm raised \$250 million in 2006 and closed on an additional \$100 million in July to help expand its portfolio companies.

Drazan said the firm is unlikely to employ a placement agent to help raise the fund, as he expects **Bertram's** current investors

to re-invest. It did not use a placement agent for its first fund.

Bertram invests \$10 million to \$50 million per deal, and targets business and financial services, healthcare services, manufacturing and operations, and technology. It is currently looking for add-on acquisitions for **Author Solutions**, a self-publisher it acquired in January (CFW, 9/17). It also does private investment in public equity, or PIPE, investments.

Apax Takes To Generic Drugs

Apax Partners, the global private equity firm with \$20 billion under management, is planning an international expansion of **Qualitest and Vintage Pharmaceuticals**, a Huntsville, Ala.-based generic drug maker. Apax is looking to acquire other generic drug makers in Europe, India and Hong Kong, to fold into the company, said **Buddy Gumina**, partner in Apax's healthcare group.

The generic space's two core attractions for Apax are the high cost of name-brand drugs and a number of drug patents due to expire over the next five years, which should open the door to cheaper generics, Gumina said. Apax's healthcare group had been looking for deals in the generic drug space for two years before agreeing to acquire Qualitest on Sept. 17 from its founder, **William Propst Sr.** Terms of the deal were not released. Now Apax intends to use its global footprint to expand the company, he said.

Gumina was not sure if the firm will look for other platform acquisition in the space, saying the team's primary focus was expanding Qualitest. He declined to speculate on how many acquisitions it might make for the company or how much it will spend on the expansion.



Financing Strategies

Private Equity Firms Scale Down Bank Card Co. Offering

Shareholders in **Heartland Payment Systems**, a bank card payment processor, netted \$139.06 million through an equity offering recently after downsizing the deal by one million shares. **Greenhill Capital Partners**, the merchant banking arm of **Greenhill**, and **LLR Equity Partners**, along with company executives **Robert Carr**, ceo, and **Bob Baldwin**, cfo, sold 5.49 million shares at \$26.34, with no discount to the last trade made the day before the sale. The company also raised \$535,237 in the offering.

Baldwin said the sellers scaled the deal down because they were not happy with the offering price. He did not know what they had expected. The volatile stock market and the fact that the company's shares were thinly traded before the offering didn't help the offering price, Baldwin said. Nonetheless, it attracted institutional investors drawn to the growth of the company, whose

share of the bank card market has increased from 0.6% in 2000 to 2.3% in 2006. "It's hard to describe it as wildly enthusiastic, but it was solid," he said, referring to investor demand.

Greenhill and **LLR** acquired close to 50% of the Princeton, N.J.-based company in October 2001. After this offering they retain a 13% stake.

Citigroup, led by **Jane Atherton**, managing director, and **JPMorgan**, led by **John Hall**, managing director, ran the offering. Citi led the company's initial public offering in August, 2005. **Heartland** chose **JPMorgan** because they've had a longstanding advisory relationship with the company, **Baldwin** said. **William Blair**, **SunTrust Robinson Humphrey**, **Robert W. Baird** and **KeyBanc Capital Partners** played supporting roles. The underwriters took a cut of \$1.05 per share. **Mitchell Hollin**, partner at **LLR**, said, "You always want a higher price as a seller, but in light of the challenging market we were happy with the price."

Equinix Taps Convertibles To Wipe Out Bridge

Equinix used a combination of equity and convertible debt to repay a \$500 million bridge loan for its **IXEurope** acquisition in June. The company had anticipated the refinancing (CFW, 9/17).

Equinix sold 3.66 million shares at \$84.05 per share and \$350 million in 3% convertible subordinated notes due 2014. Underwriters have the option to buy another 549,383 shares and an additional \$45.986 million in notes.

The notes are convertible at an initial base of 7.436 shares of common stock per \$1,000, which is an initial base conversion of \$134.48 or a 60% premium on the last reported share price. Proceeds from the equity offering were \$295.5 million or \$339.8 million if the over allotment is exercised. Proceeds from the bond offering were \$340.4 million or \$385.1 million if the over allotment is exercised.

Providing shareholders with a 60% premium is more expensive than straight debt, said **Jonathan Schildkraut**, senior v.p. of telecom and data services equity research for **Jefferies**. He was initially surprised by the focus on equity or debt acting like equity because of its cost and because he expected some straight debt for the refinancing. But the company has historically used a depression debt mentality where it pays lower interest now, has free cash flow and believes it will have more cash later to buy back securities.

Citigroup and **Credit Suisse** led the bond and equity offerings. **Jefferies**, **UBS Investment Bank** and **Barclays Capital** were on the syndication team for the bonds. **Jefferies** and **UBS** also syndicated the equity.

Calls to **Keith Taylor**, cfo, and **Jason Starr**, director of investor relations, were not returned.

Holding Co. Positions For Acquisitions

Leucadia National Corp. issued debt and equity to generate \$723.3 million for corporate use including acquisitions and investments.

The New York-based company with multi-sector investments issued 5.5 million shares for \$45.50, a \$2.16 discount from the previous trade, and \$500 million (BB+/Ba2) in eight year 8 1/8% notes. The bond deal was increased from an original \$350 million. Proceeds were \$481.5 million for the notes and \$241.8 million for the shares. The notes have a change of control covenant that Leucadia would have to give holders the

opportunity to sell back the notes at 101% of the principal amount, plus interest.

Paul Aran, v.p. and senior analyst at **Moody's Investors Service**, said the firm has a strong balance sheet, is raising capital and has a history of buying companies that they turn around. Given its size, a new deal could drastically change its war chest, he said, but did not know what Leucadia would buy next or when. Leucadia has a market capitalization of \$10.4 billion, according to *Capital IQ*. "They've been opportunistic and they've been pretty successful," he said.

Jefferies & Co. underwrote both offerings. Calls to **Rocco Nittoli**, treasurer, were not returned.

Innovative Financing Conference

Buyout professionals, bankers and financiers gathered at the Harvard Club in New York last Tuesday to discuss the state of financing and deal-making at The Deal's Innovative Financing conference. Topics included whether corporations will pick up their deal-making pace and how private equity firms will cope with the credit crisis going forward. Senior Reporter Bernard Vaughan filed these reports.

PAIN TO REMAIN

(continued from page 1)

Pepper Hamilton. And firms that are able to get financing will get it in markedly different terms than seen during the buyout frenzy, when banks provided cheap, covenant-light debt.

Hank D'Alessandro, vice-chairman, leveraged & acquisition finance North America at **Morgan Stanley**, said as long as companies can generate enough cash flow to avoid payment defaults, they should have enough headroom to make it through the credit crunch or even a modest recession.

—*Bernard Vaughan*

Dealmakers: It Can't Get Any Worse

Stalled deal-making brought on by the sub-prime mortgage-fueled credit crisis may have hit rock-bottom, said a panel of investment professionals. The **Federal Reserve's** interest rate cut, the pricing of new debt issuance and the slowly shrinking supply of buyout-related debt could mean things couldn't get any worse, said **Henry D'Alessandro**, vice-chairman, leveraged & acquisition finance North America at **Morgan Stanley**. "It feels like we may have hit a bottom," he said. "It feels to me like we've begun a healing."

D'Alessandro said he expects deals to return once debt investors' confidence improves, but he said banks will be in control: do not to expect payment-in-kind, toggle and other lax debt terms and structures seen in the buyout boom. More clauses allowing banks to get out of financing a deal will also appear. He and **James Epstein**, partner at law firm **Pepper Hamilton**, also expect to see lower prices paid for acquisition

targets. "It's going to take some time for sellers to adapt to that," Epstein said.

Problems remain, for sure. **Kim Davis**, managing director of **Charlesbank Capital Partners**, said financing is still available for deals under \$250 million. But at the same time, banks aren't competing to provide that financing like they used to, he said. Now buyout shops will have to tailor their exits rather than hire an advisor and let banks scramble for the business.

The 'we've reached the bottom' sentiment was similar to recent comments made **The Blackstone Group** President **Tony James**, who said the buyout market will return in a more conservative environment after the market digests some \$350 billion of buyout-related debt, which he predicted would take six months (CFW, 9/24).

The Return of The Corps

Investment pros have been wondering when corporations, which stood on the sideline as cash-rich buyout firms ran the buyout market the last few years, would get back in the game. Now looks to be about that time, conference attendees said.

Depending on their respective stock positions, corporations will be in a better position to compete with private equity firms now that the latter have lost a key weapon in their arsenal: cheap debt with little-to-no payback requirements, said **James Epstein**, partner with **Pepper Hamilton**.

Hank D'Alessandro, vice-chairman, leveraged & acquisition finance North America at **Morgan Stanley**, said many corporations thought the exorbitant prices buyout firms paid during the buyout boom was too risky. That dynamic will likely

change, he said, now that cheap financing has vanished.

Secondary buyouts, in which private equity firms sell a company to another private equity firm, accounted for about half of all mergers and acquisitions in recent years, said Kim Davis, managing director of Charlesbank Capital Partners. Now, corporations will fill in the gap left by frazzled buyout shops.

Debt Investors, Turnaround Firms Poised To Pounce

Panelists expect turnaround specialist and new debt teams to take advantage of the credit crisis. James Epstein, partner at Pepper Hamilton, said his and other law firms have been beefing up their restructuring teams in anticipation of an economic downturn. He expects more business coming from private equity firms focused on turning around struggling companies in the next 12 to 18 months.

Firms such as Goldman Sachs and Lehman Brothers are reportedly raising funds to invest in the very paper they issued at a discount, noted Randy Schwimmer, head of capital markets at Churchill Financial, a New York-based mezzanine financing firm. Similarly, Hank D'Alessandro, vice-chairman, leveraged & acquisition finance North America at Morgan Stanley, said more firms are raising funds to invest in bridge loans and other

buyout-related debt.

Kim Davis, managing director of Charlesbank Capital Partners, expects to see more minority investments.

Murkiness Pervades CDO/CLO Market

The collapsed markets for collateralized debt obligation and collateralized loan obligation will take some time to sort out, panelists said.

Joseph Mason, associate professor at Drexel University, said the main issue is the market doesn't know where the losses lie. "A lot of people realized that other people knew more than they did, and pulled out," he said. Growth will be slow before that's figured out, he said, but he doesn't expect a recession. "Now everybody is learning about securitization and structured finance—10 years too late," he said.

There are bright spots, said Arturo Cifuentes, managing director at R.W. Pressprich, a New York-based fixed-income broker. Cifuentes said CLOs supported by middle market and emerging markets loans are doing well. Panelists also said the Federal Reserve's recent interest rate cut and reports that financing for the \$24 billion buyout of First Data is proceeding could bode well for the market. *For additional coverage, go to CFW's Web site.*

2007 RAINMAKER AWARDS

Top Personality

Stephen Schwarzman, co-founder and ceo of The Blackstone Group

Over the past year, Stephen Schwarzman has guided The Blackstone Group—and perhaps the private equity industry—from its lofty perch in the world of high finance into the living rooms of ordinary Americans.

After Schwarzman repeatedly criticized the public markets as over-regulated and obsessed with short-term earnings, Blackstone made national news when it raised \$4.13 billion with the largest initial public offering in five years. Call it a contradiction, but Schwarzman

essentially took cash off the table as the private equity game hit its peak. "I think you have to look at Blackstone's IPO as the most earth-shattering deal," said John LeClaire, head of the private equity practice at Goodwin Procter.

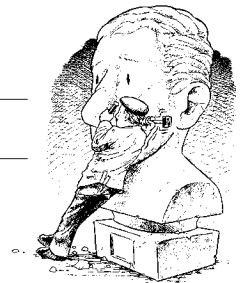
But the \$684 million windfall Schwarzman received by monetizing his stake in the firm, together with his \$4 million birthday bash featuring Rod Stewart, also put private equity in an uncomfortable spotlight. Many

blame him for the ongoing Congressional debates that could change the tax treatment of private equity firms and publicly traded partnerships.

When Sen. Gordon Smith (R-Ore) said hearings were taking place because of the "extravagant lifestyle of one man," everyone knew he meant Schwarzman. "He's a lightning rod for bad publicity," said another private equity attorney. "I think most of his private equity brethren are not very happy with him."

Rod Stewart's serenade aside, Schwarzman was dynamic. He lined up a \$3 billion commitment for the IPO from China, which may have opened the door to its recent \$600 million investment in China National Bluestar, a state-owned chemical company. He oversaw with calm precision the bidding war and subsequent \$39 billion buyout of Equity Office Properties Trust, a deal in which Blackstone made most of its investment back in months after selling nearly half of EOP's assets. And Blackstone recently closed a \$21.7 billion fund, the largest yet.

Perhaps more importantly, for the past year he directed his firm to invest with the assumption there will be a recession in 2008-2009, according to his heir apparent, Tony James (CFW, 9/24). As a result, Blackstone may have avoided some of the deals currently mired in renegotiations.



Best Deal

The Sally Beauty Spin-Off

Over the past year, private equity firms piled up ever larger leveraged buyout deals, with the help of cheap debt, friendly management teams and investors wanting to cash out. The list of headline-grabbing deals is long: **Equity Office Properties Trust**, **First Data**, **Chrysler** and **Bell Canada**, the largest LBO yet, starts the roster. Each looked impressive when announced but a little turbulence in credit markets cast a new light on most. Would the private equity firms manage to get a return now? Would they even get financed?

That's only one of the ways that the deal between **Clayton Dubilier & Rice** and **Alberto-Culver** to spin off its Sally Beauty subsidiary proved unique. It looked like a winner from the moment it was announced. The deal, completed last November, gave the private equity firm a 47.5% stake in Sally Beauty, awarded Alberto's shareholders a \$25-per-share dividend as well as stock in the new company and divorced two conflicting parts of Alberto without requiring the company to pay any tax on the sale.

"Everybody, when they understand how it works, they're flabbergasted," said **Robert Willens**, a managing director at **Lehman Brothers** and a tax expert. "It accomplishes so many objectives."

The deal was led by **Richard Schnall**, CD&R partner. He and **Donald Gogel**, CD&R's president and ceo, laid the groundwork in a meeting with **Howard Bernick**, then the ceo, in 1999. Gogel then struck up a relationship with Bernick. In early 2006, Alberto-Culver was in the process of selling Sally Beauty to **Regis Corp.** Gogel placed a call to Alberto-Culver's offices the day after its agreement with Regis fell through.

Schnall said the deal's structure is the fruit



Richard Schnall

HOW IT WORKS

The sponsored spin-off only counts as a tax-free reorganization when less than 50% is divested. The seller deposits the divested entity into a holding company and takes on debt, the proceeds of which can be used to bolster the new company or reward shareholders with a dividend. The seller avoids taxes even if it doesn't distribute the proceeds to creditors or shareholders as in a Real Estate Investment Trust. The shareholders thus own a majority of both companies but, in the case of Sally Beauty at least, have to pay income tax on the dividend.

In Sally Beauty, Alberto was actually the smaller company, making it an especially unique reverse sponsored spin-off, noted Lehman's Willens.

After six months, however, CD&R can take a majority of the company as long as it can prove to the Internal Revenue Service that it wasn't part of the original plan.

of discussions between CD&R executives and bankers at **Merrill Lynch**. The private equity firm had planned on using it once before, in an attempt to take a stake in **ITT's** telephone directory subsidiary, but was foiled by **Starwood Hotels & Resorts Worldwide**. Starwood took over ITT in 1997.

The first to follow CD&R's lead was **Warburg Pincus**, which plans on taking a 25% take in **Metavente**, a subsidiary of **Marshall & Ilsley**. There are still plenty of companies with divisions they want to divest and an abundance of private equity firms looking to put large war chests to use. Willens has talked to interested corporations and buyout executives interested in pulling off their own sponsored spin-off. "We will see more of this, I guarantee it," he said. "It's too good not to be used."

The deal also foreshadowed two trends. By handing existing shareholders equity in the new entity, it created a form of "stub equity," a popular move to sway shareholders in leveraged buyouts before the credit markets turned against them. Taking minority stakes is also becoming popular for private equity firms as a way to avoid financing deals through the debt markets. CD&R still has a powerful voice at Sally Beauty, bringing in three board members alongside the three partners on its board.

And it still looks good to shareholders. Sally Beauty's shares started life at \$7.30 late last year and have hovered around \$9. Last Tuesday, they closed at \$8.65, an 18% gain for those who have held since the divestiture.

"I'm certainly seeing interest in these deals from private equity firms," said **Michael Littenberg**, an attorney who advises hedge funds and buyout shops at **Schulte Roth & Zabel**. "I don't know of anybody who's imminently doing this, but I think we're going to see more of them."



Donald Gogel

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HIRING PULLBACK

(continued from page 1)

That said, some firms continue to hire—most notably **Goldman Sachs**, say recruiters. The firm recently reported record levels in its investment banking backlog, taking the worldwide lead for mergers and acquisitions as well as common stock offerings and increased revenue from debt underwriting. Goldman officials declined to comment. And **HSBC** spokeswoman **Juanita Gutierrez** pointed to the bank's recent hires in U.S. global equities and leveraged and acquisition finance as signs of its commitment to the business. She would not elaborate on any future plans.

—Michelle Starr

industry has since created the **Private Equity Council**, a lobbying group, and Rubenstein in public forums continues to highlight what he says is the industry's positive impact on the economy, while calling on other private equity firms to be more open.]

Five Years Ago

Public technology companies were scouting for buys among private tech enterprises that are being called a "string of pearls" acquisition. [Public companies continue to snap up private technology companies.]

Quote Of The Week

"The market will clear out, but the after-effects of the lunacy of 2006 and 2007 will be with us for some time."—**Kim Davis**, managing director at **Charlesbank Capital Partners**, discussing the difficulties likely to linger for private equity once the credit crunch stabilizes (see story, page 1).

One Year Ago In Corporate Financing Week

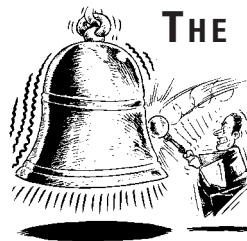
David Rubenstein, founder of **The Carlyle Group**, wanted private equity to rid itself of its shadowy reputation and seek a different name that reflects its larger role in the economy. [The

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THE CLOSING BELL

Are you excited by the prospect of **Kohlberg Kravis Roberts** and **Goldman Sachs** walking away from their \$8 billion deal for **Harman International Industries**? And do

you like people who reach for the *Wall Street Journal* before *People* magazine? Single, male readers of *CFW* rejoice. Your queen has arrived. You've already cleared two hurdles for a woman on the Upper East Side of Manhattan who recently posted to the "women seeking men" section of New York's **Craigslist**.

Oh, but wait. We forgot to mention horses. Her other requirements narrow the field much further. "Do you tend to appreciate girls who are interested in such things [finance] but don't necessarily look as if they would be interested in such things?" *CFW* finds that bit baffling, especially when considered alongside the following: "Do you like tallish girls with blond hair, WASPy aesthetics and excellent equestrian skills?" Since when were WASPy aesthetics counter to an interest in finance? Sure, every hedge fund has its own in house rock band nowadays, but such an old relationship isn't severed so easily. Try to count all the pink shirts on your next trip to Wall Street and see how quickly you lose count.

This Upper East Side resident seems to have a pretty clear idea of what she wants, possibly an investment banker from the early 20th century who has returned from the dead or a pedigreed squire from Virginia who keeps up on finance. Maybe there is somebody for everybody. But after trimming her range of targets to such a miniscule slice of the population, is the best place to find her beau on **Craigslist**? *CFW* suggests a membership to the New York Athletic Club or a trip to Bridgehampton Polo Club on Long Island.