



Deals of the year

Debt and equity-linked

Wachovia Income Trust Securities

Lawyers acting on Wachovia bank's \$2.5 billion trust-preferred issue were at the forefront of innovation in the hybrid capital market last year. Wachovia's income trust securities (Wits) are the first to go beyond the Federal Reserve's 15% limit for trust preferred securities as tier one capital, qualifying because they are mandatory convertible preferred securities that become non-cumulative perpetual preferred stock within five years.

Lawyers structuring the deal also ensured the instrument qualifies for 75% equity treatment (Moody's D basket) through use of a replacement capital covenant in connection with the Wits.

The deal was also expertly timed, allowing Wachovia to issue the securities the day after the Federal Reserve published a favourable interpretation of whether securities could qualify as mandatory convertible preferreds.

Sullivan & Cromwell advised Wachovia Securities and Goldman Sachs as lead underwriters. **Cadwalader Wickersham & Taft** acted for the issuer with **Richards Layton & Finger** providing Wachovia with Delaware law advice.

Washington Mutual Preferred Funding

Washington Mutual's \$2 billion hybrid offering used a limited liability company subsidiary of WaMu's real estate investment trust (Reit) to issue a dual tranche \$2 billion offering through two orphan vehicles, a Cayman company and a Delaware trust. In doing so the deal builds on an existing structure to allow an offering of Reit preferred securities to investors outside the US.

Sullivan & Cromwell acted for the underwriters Goldman Sachs. **Mayer Brown Row & Maw** advised the issuer. **Maples & Calder** provided Cayman Islands law advice. **Sonnenschein** was counsel to the trustee. **Richards Layton & Finger** and **Heller Ehman** were Delaware and Washington State counsel respectively.

Capital One Cents

Capital One's \$650 million tier one security provided a solution for financial institutions looking to issue hybrid instruments that qualify for 75% equity treatment at the ratings agencies, without including a mandatory interest deferral mechanism. Through delicate drafting, lawyers working on the capital efficient notes (Cents) were able to produce an instrument that, although optional in deferral, appears sufficiently equity-like from a ratings perspective.

Sullivan & Cromwell acted for structuring adviser JP Morgan. **Cleary Gottlieb Steen & Hamilton** advised the issuer; **Morrison & Foerster** was counsel to the underwriters; and **Richards Layton & Finger** provided Delaware law advice to Capital One.

Freescale Semiconductor

Freescale's \$5.95 billion issue is the biggest high-yield offering since the junk bond mania of 1989. One of the Freescale deal's four tranches is a toggle note, allowing the company to elect to pay interest at the end of the maturity by increasing the principal amount of the note. Lawyers involved in drafting the securities were engaged in a delicate balancing act: the toggle had to be presented as a viable option for the company, but with sufficiently tight covenants so that the message to the market was that conversion to a payment-in-kind schedule was a last resort.

Cravath Swaine & Moore advised the underwriters on the deal with **Skadden Arps Slate Meagher & Flom** counsel to the consortium of sponsors.

Amgen convertible

Biotech company Amgen's \$5 billion offering of two series of convertible senior notes is the biggest convertible note offering ever by a US issuer.

The deal featured a hedging transaction structured as an option and designed to increase the conversion price (or call spread overlay): participating banks were given hedging papers with the economics left blank and invited to submit sealed bids on the pricing, rather like an M&A auction.

Shearman & Sterling advised the underwriters and **Latham & Watkins** acted for Amgen.

Ford

Lawyers acting on the Ford refinancing combined an \$18.5 billion secured facility with a concurrent \$4.5 billion convertible issue. The deal also marks the securitization of Ford assets for the first time in its 103-year history as the \$18.5 billion was raised through the mortgage of virtually all of its domestic automotive assets, as well as intellectual property (including the Ford logo), real estate, subsidiary stock and up to \$4 billion in cash. The deal also represents the biggest secured financing of its kind and the biggest single tranche convertible issue by a non-investment grade company.

Shearman & Sterling advised the underwriters and **Simpson Thacher & Bartlett** acted for Ford. **Weil Gotshal & Manges** acted for the arranging banks on the refinancing.

Securitization and structured finance

Washington Mutual covered bond

In September last year Seattle bank Washington Mutual set an important precedent for global capital markets, producing the first ever covered bond for a US issuer.

The \$5.6 billion deal boasts innovative structural features, as well as opening the US mortgage market to European investors and offering US investors access to European issuers. The legal teams working on the transaction used European and specifically UK technology in producing the product, but we're able to introduce greater flexibility than the existing UK format: the structure allows WaMu to pledge mortgage loans in support of the bonds, allowing the bank to retain the mortgage loans on its balance sheet.

Clifford Chance advised arranger Barclays Bank. **Sidley Austin** acted for Washington Mutual.

Dunkin' Brands

The Dunkin' Brands \$1.7 billion deal represents the latest step in the growing use of securitization as a means of financing acquisitions, and the first time a buyer has securitized franchise royalty payments, intellectual property, leases and other licensing receivables. The result is a transaction that comes as close to a whole business securitization as is possible under US law.

Paul Weiss acted for underwriter Lehman Brothers; **Ropes & Gray** advised Dunkin' Brands; and **Cadwalader Wickersham & Taft** was counsel to Ambac.

Costa Bella

The \$500 million Costa Bella deal was a hybrid collateralized debt obligation with a unique super-senior swap that only pays at the maturity date of the transaction. The deal also featured credit default swaps that allow the issuer to defer credit protection payments until the end of the transaction.

McKee Nelson was counsel to Merrill Lynch and **Ropes & Gray** acted for the collateral manager.

Nelnet

In September last year Nelnet produced the first single-seller extendible warehouse programme in the student loan market. The deal is also the first asset-backed commercial paper student loan deal to issue commercial paper without external liquidity.

The structure crafted by the legal teams reduced Nelnet's reliance on third party conduit warehouses for short term funding and eliminated the third party liquidity required by many conduit structures.

Mayer Brown Rowe & Maw advised the dealers Credit Suisse and Banc of America. **Kutak Rock** represented Nelnet.

Goldman Sachs Mortgage Pass-Through Certificates

This \$3.5 billion in bonds from Goldman Sachs is the first issue under the bank's programme with RBS Greenwich Capital – under which RBS and Goldman alternate in the role of seller and issuer in the first joint securitization programme. The pass-through certificates represent beneficial ownership in a pool of fixed rate mortgages including commercial and residential properties.

Cadwalader Wickersham & Taft acted for Goldman Sachs as sponsor, depositor and underwriter. **Kennedy Covington** represented the trustee and **Mayer Brown Rowe & Maw** was counsel to servicer Wachovia. **Kilpatrick Stockton** advised ING Clarion as special servicer and **Dechert** acted for seller Commerzbank.

Sonic

Demonstrating the trend towards franchise securitization in the US catering sector, drive-in restaurant chain Sonic produced one of the biggest-ever whole business-type securitizations last year, and the first for a public SEC-registered company. Sonic securitized revenue streams from its franchise royalty payments, intellectual property rights and some real estate payments in an \$800 million monoline-wrapped deal that covers 70% of the company's earnings before tax.

Paul Weiss acted for the underwriters Lehman Brothers and Banc of America while **Shearman & Sterling** advised Sonic. **Jones Day** was counsel to monoline insurer Ambac.

Interpublic Group ELF

The unique financing arranged for Interpublic brings together debt capital markets products with structured finance techniques in the latest example of the convergence among sources of capital. The deal uses a special-purpose vehicle called Enhanced Liquidity Special Financing (ELF) to issue notes in a 144A placing, invest the proceeds in a money market fund and provide Interpublic with a \$750 million credit facility, reflecting the company's desire to replace its syndicated bank debt with a committed facility, but without the burden of restrictive loan covenants.

Cleary Gottlieb Steen & Hamilton advised Interpublic and **Davis Polk & Wardwell** acted for structuring agent and lead manager Morgan Stanley. **Maples and Calder** was Cayman counsel to ELF.

Equity

MasterCard

MasterCard's \$2.39 billion initial public offering is the biggest in the US since 2004. In addition to its size and market impact, the deal involved a restructuring of the company's capital structure and corporate governance arrangements.

Lawyers working on the deal assuaged competition concerns, but preserved member banks' economic interests, by devising a unique class of M shares, which carry extraordinary voting rights.

Before the offering the company was owned entirely by the financial institutions that issue MasterCards. Lawyers helped convert the company to market ownership through collaboration that took in complex and interrelated governance, regulation and litigation. The final legal structure settled the cultural and regulatory differences between the American and international institutions involved and harmonized the company's creative proposals, some of which had never been used before in the primary public market.

Simpson Thacher & Bartlett represented the company. **Cleary Gottlieb Steen & Hamilton** acted for underwriters Goldman Sachs and **Milbank Tweed Hadley & McCloy** advised the board of directors.

Genesis Leasing

In December last year the Genesis group was established in a \$1.4 billion deal that represents the first ever concurrent securitization and initial public offering. Genesis was set up to acquire aircraft leases from GE Capital and the transaction includes a \$1 billion warehouse facility – notable because the commitment was established before the IPO and securitization were complete, and therefore before Genesis had any operating assets.

Weil Gotshal & Manges advised the issuer. **Milbank Tweed Hadley & McCloy** was counsel to initial purchasers Citigroup. **Clifford Chance** acted as aviation counsel and **Latham & Watkins** advised guarantor FGIC.

Douglass Emmett

The Douglass Emmett initial public offering was the biggest real estate investment trust deal ever. The \$1.6 billion offering also involved the acquisition of over 50 commercial properties as well as the consent of over 200 previous investors and took over 18 months to complete.

Skadden Arps Slate Meagher & Flom acted for Douglass Emmett and **Latham & Watkins** advised the underwriters. **Hogan & Hartson** was special counsel to Douglass Emmet and **Venable** advised the company on Maryland law.

NYSE secondary offering

The NYSE Group's \$1.8 billion May offering followed the March 2006 merger of Archipelago and the New York exchange. The merger agreement granted former NYSE members and Archipelago shareholders NYSE Group shares, but it was the May offering that released the contractually restricted stock before the expiration of transfer restrictions imposed by the company's charter.

A secondary listing, disclosure issues, NASD rules, SEC review and the unique position of the selling members/shareholders made the offering IPO-like in character.

Sullivan & Cromwell acted for the underwriters and **Wachtell Lipton Rosen & Katz** represented the NYSE Group.

Grupo Aeroportuario de Pacifico

The \$962 million initial public offering of airport operator GAP represents the biggest privatization in Mexico for 15 years, with the Mexican government selling its 85% stake in the company, and Latin America's biggest IPO in 2006.

Cleary Gottlieb Steen & Hamilton advised the company. **Shearman & Sterling** acted for joint global coordinator Credit Suisse. **Ritch Mueller** was Mexican counsel to the company and **Creel Garcia Cueller y Muggenburg** provided Mexican law advice to Credit Suisse

Banco Macro Bansud

Banco Macro raised \$300 million in its global offering, becoming the first Argentine institution to launch an international offering on the New York exchange in 10 years. Lawyers acting on the deal had to translate Argentina's unique accounting rules into conformity with US Gaap and SEC requirements.

Shearman & Sterling acted for Banco Macro with Argentine law advice provided by **Bruchou Fernandez Madero Lombardi & Mitrani**. **Simpson Thacher & Bartlett** and **Cabanellas Etchebarne Kelly & Dell'Oro Maini** represented the underwriters.

Brascan

In November last year Brazilian developer Brascan Residential Properties produced the biggest initial public offering in the history of the Sao Paulo stock exchange. The \$556 million deal also involved the reorganization of the parent company's real estate operations into two separate entities – with only the residential arm being offered to the public – giving rise to complicated disclosure issues and financial statement complexities, and related party arrangements.

Davis Polk & Wardwell advised joint bookrunners Credit Suisse and UBS with **Machado Meyer Sendacz e Opice** acting as Brazilian counsel to the banks. **Fried Frank Harris Shriver & Jacobson** and **Mattos Filho Veiga Filho Marrey Jr. e Quiroga** acted for the company and selling shareholder on US and Brazilian law, respectively.

Perdigao

Brazilian food company Perdigao raised \$374 million last year in one of very few SEC-registered offerings from a Brazilian company. The deal highlights the potential for world-class Latin American companies to access the international capital markets, in a transaction not limited to institutional investors. Though previously listed on the New York exchange, the offering represents Perdigao's de facto initial public offering and included the option for investors to subscribe to common shares in place of American Depository Shares.

Davis Polk & Wardwell acted for the underwriters and **Simpson Thacher & Bartlett** advised Perdigao. **Mattos Filho Veiga Filho Marrey Junior e Quiroga** was Brazilian counsel to the issuer with **Machado Meyer Sendacz e Opice** acting for the underwriters.

M&A

CVRD – Inco

Companhia Vale do Rio Doce's \$18 billion competing tender offer for Canada's Inco ended a year long battle for consolidation in the mining sector that saw Inco bid for Falconbridge before Inco itself became the subject of bids from Phelps Dodge and Teck Cominco. The result is the creation of the world's second-biggest mining company in the biggest acquisition ever by a Latin American company.

The multiparty chess-like takeover battle required advisers to carefully consider the overarching fiduciary duties of their clients while at the same time focussing on the strict legal obligations contained in the various merger agreements.

The deal also demonstrates the unique challenges that can arise in a cross-border takeover: during the course of the bid the Canadian stock exchange required Inco to allow its rights plan to expire, allowing CVRD the chance to go straight to the shareholders with a hostile tender offer.

Sullivan & Cromwell advised Inco. **Cleary Gottlieb Steen & Hamilton** acted for CVRD. **Osler Hoskin & Harcourt** and **Stikeman Elliott** provided Canada law advice to Inco and CVRD respectively. **Slaughter and May** was English law counsel to CVRD and **Shearman & Sterling** acted for Credit Suisse as financial adviser to CVRD. **Skadden Arps Slate Meagher & Flom** was counsel to Inco's financial advisers. **Chadbourne & Parke** provided antitrust advice to CVRD. **Trench Rossi e Watanabe** was Brazilian counsel to CVRD.

Alcatel – Lucent

When your chief financial officer leaves for Paris to become CEO of the combined company in a \$17 billion merger, you know you have earned your fees on a deal. Lucent and Alcatel agreed a true merger of equals with the new company having a US CEO and a French chairman; Lucent shareholders receiving US-listed American depository shares of Alcatel; the headquarters split between Paris and New Jersey; and the board of directors comprising four committees of equal representation.

The merger agreement had to take all these balancing acts into account and, mid-way through discussions, Alcatel entered asset-disposal negotiations with Thales Group, requiring lawyers to absorb this transaction into the merger timetable.

Skadden Arps Slate Meagher & Flom acted for Alcatel. **Wachtell Lipton Rosen & Katz** advised Lucent. **Darros Villey Maillot & Brochier** was special French counsel to Lucent.

AT&T - BellSouth

At \$89.4 billion AT&T's merger with BellSouth was comfortably the biggest M&A transaction in 2006 and one of the most impressive logistical enterprises for the legal advisers involved.

Completion of the acquisition came after an extensive review process, which included approval from, or filings with, 36 states, the Department of Justice and the Federal Communications Commission – which was divided on partisan lines – and three foreign countries.

While the focus of attention was on competition clearance, which took a year to come through, the acquisition also included a novel agreement where AT&T will offer broadband as a separate service without requiring customers to subscribe to its telephone service.

Sullivan & Cromwell advised AT&T on the deal. **Fried Frank Harris Shriver & Jacobson** acted for BellSouth. **Skadden Arps Slate Meagher & Flom** was counsel to Goldman Sachs as BellSouth's financial adviser. **Cravath Swaine & Moore** advised Citigroup as financial adviser to BellSouth.

MCI – Verizon

Verizon Communications continued the telecommunications consolidation trend, closing its \$8.5 billion merger with MCI last year. Lawyers on the deal had to construct a novel purchase price adjustment mechanism for estimating contingent liability exposure from MCI's WorldCom days. The mechanism provides a baseball arbitration process for the resolution of any valuation dispute. The deal was also closed in competition with a bid for MCI from Qwest Communications.

Debevoise & Plimpton advised Verizon and **Davis Polk & Wardwell** acted for MCI. **Cravath Swaine & Moore** represented MCI's board.

New York Stock Exchange – Archipelago

The fore runner for the present wave of exchange consolidation, NYSE's \$9 billion reverse takeover of Archipelago included the demutualization of the New York exchange. Lawyers acting on the deal structured the demutualization as part of the merger agreement as the New York exchange auctioned trading rights and became a for-profit public company.

Wachtell Lipton Rosen & Katz acted for NYSE Group and **Sullivan & Cromwell** advised Archipelago.

BlackRock – Merrill Lynch

The biggest ever M&A transaction in the asset management industry also broke new ground in governance with a tri-partite voting arrangement between BlackRock's board, new investor Merrill Lynch and former parent PNC that ensures BlackRock will be an independently managed company.

Skadden Arps Slate Meagher & Flom acted for BlackRock. **Sullivan & Cromwell** advised Merrill Lynch and **Wachtell Lipton Rosen & Katz** was counsel to PNC Financial.

Private equity

HCA

The world's biggest-ever buyout grabbed all the headlines last year, but lawyers point out that the \$33 billion acquisition of hospital operator HCA was also the first big buyout sponsored by the target's largest shareholder. A special committee therefore had to be set up to step in and manage the takeover, pulling together a huge raft of different advisers and demonstrating the confidence the debt markets have in private equity's further ventures into corporate America.

Simpson Thacher & Bartlett acted for a consortium that included KKR, Bain Capital and Merrill Lynch Private Equity. **Cravath Swaine & Moore**, **Dewey Ballantine** and **Bass Berry & Sims** all acted for HCA. **Shearman & Sterling** was counsel to the special committee. **Davis Polk & Wardwell** advised Morgan Stanley as financial advisor to HCA and **Skadden Arps Slate Meagher & Flom** acted for Credit Suisse. **Proskauer Rose**, **Ropes & Gray** and **Epstein Becker & Green** all advised HCA Acquisition Corp. **Allen & Overy**, **Kirkland & Ellis** and **Fried Frank Harris Shriver & Jacobson** were counsel to HCA Acquisition's financial advisors.

Supervalu – Albertson

At \$18 billion including debt Supervalu's acquisition of Albertson was one of the biggest buyouts of last year. It was also one of the most challenging, taking the form of a hybrid strategic/private acquisition where the consortium comprised a corporation and private investors led by Cerberus Capital Management. The unusual structure saw Supervalu take on Albertson's core assets while the non-core business went to Cerberus and a third party, CVS, took on Albertson's drugstore business. The three pieces of the deal were all cross-conditioned.

Wachtell Lipton Rosen & Katz acted for Supervalu; **Schulte Roth** advised Cerberus; and **Davis Polk & Wardwell** represented CVS. **Jones Day** was counsel to Albertson and **Sullivan & Cromwell** acted for Albertson's board of directors.

Cerberus – GMAC

Cerberus emerged as the winning bidder in the auction for 51% of General Motors Acceptance Corporation thanks to an independent \$10 billion funding package that made a \$4 billion provision for unrated assets and closed before the acquisition. The deal also marks the first big incursion by a private consortium into the regulated financial institution sector.

Schulte Roth & Zabel acted for Cerberus with **Debevoise & Plimpton** providing insurance law advice. **Kirkland & Ellis**, **Jenner & Block** and **Weil Gotshal & Manges** all acted for GMAC. **Sidley Austin** and **Cleary Gottlieb Steen & Hamilton** acted for Citigroup and Aozora Bank.

Kerzner International

The \$3.8 billion Kerzner buyout featured an innovative version of the rarely used go-shop provision. Lawyers on the deal negotiated additional safeguards beyond the ability to seek higher bids in order to run a viable auction and get the best available price for shareholders.

Simpson Thacher & Bartlett represented the investor group. **Cravath Swaine & Moore** advised Kerzner's board of directors. **Paul Weiss** acted for the special committee.

Cendant Travelport

Breaking up a company the size of Cendant into four pieces was never going to be easy. The break-up required lawyers to engage in complex surgery to deconstruct the conglomerate in a manner that allowed all four companies to function as independent companies. The year-long deal included the simultaneous execution of the separation arrangements at the same time as two spin-offs and the \$4.3 billion auction of Travelport to winning bidder Blackstone.

Skadden Arps Slate Meagher & Flom acted for Cendant and **Simpson Thacher & Bartlett** advised Blackstone.

Sally Beauty

Alberto-Culver's sponsored spin-off of Sally Beauty to Clayton Dubilier & Rice involved the buyout firm paying \$3 billion for a 47.5% stake and used a Morris Trust to allow Alberto-Culver to receive immediate cash proceeds, while at the same time preserving the tax-free nature of the spin-off of the remaining 52.5% stake to its shareholders.

Debevoise & Plimpton advised Clayton Dubilier & Rice and **Sidley Austin** acted for Alberto-Culver.

Project finance

Golden Ears Bridge

The Fraser River-crossing C\$1 billion (\$848 million) Golden Ears Bridge represents the first wrapped loan financing in North America, using monoline guarantees to provide a triple-A rating and enabling the project company to borrow on better terms.

Canadian licensing rules necessitated an offshore structure, with loans from Ireland and New York, in an English law-governed deal that closed commercially in Canada and financially in the UK.

Norton Rose advised the lenders and the monoline insurers with **McCarthy Tétrault** as Canadian counsel. **Linklaters** advised the monolines on the guarantees and intercreditor issues. **Davis & Co** acted for the project company. **McClure Naismith** was counsel to the mezzanine lenders.

Yankee Stadium

The \$960 million financing used a unique leasing structure to facilitate public investment in the new Yankee Stadium in the Bronx. Lawyers achieved this through a lease of the stadium land to a city development agency, which in turn entered a lease and payments in lieu of property taxes agreement with a limited liability stadium company established by the Yankees. The stadium company then contracted with the Yankees to pay rent to the development agency, allowing the team to take advantage of a tax-exempt bond issue.

Fried Frank Harris Shriver & Jacobson acted for the New York Yankees. **Nixon Peabody** advised the development agency.

Indiana Toll Road

The \$4.9 billion 75-year concession for the 157-mile Indiana Toll Road represents the biggest privatization ever closed in the US. Lawyers working on the deal used the innovative financing structure established on last year's Chicago Skyway toll road, onto which the Indiana road connects, in a deal expected to act as a template for other states as they explore public-private partnerships.

White & Case advised the sponsor and **Orrick** represented the lending banks.

Pocahontas Parkway

Though smaller than some of the more high profile US public-private partnerships, the Pocahontas Parkway financing is genuinely innovative: the deal contains a sculpted swap programme using embedded loans; a profit share arrangement with the state; and a termination for convenience feature that other states are interested in emulating.

Orrick advised the project company and **Milbank Tweed Hadley & McCloy** acted for the lenders.

IIRSA Norte Toll Road

The upgrade to Peru's 960-kilometre northern toll-road network is the country's first infrastructure public-private partnership. The concession involves the construction of over 100 kilometres of new road in a deal that uses a project bond specially configured to reduce negative carry through a credit-linked note. The bond provided funding at the outset of the project by securitizing government construction-payment receivables, or CRPAOs (*certificados de reconocimiento de derechos del pago anual por obras*), which are triggered by the completion of the project's various stages or milestones.

Clifford Chance acted for the project company. **Davis Polk & Wardwell** advised the arranger Morgan Stanley and **Maples & Calder** was Cayman Island counsel to the issuer. **Estudio Rubio Leguia Normand y Asociados** was Peruvian counsel to Morgan Stanley while **Rossello Abogados** advised the sponsor.

Plumb Point LNG

The \$1 billion financing for Arkansas' 658 megawatt Plum Point power station uses a gas put spread option to stabilize cash flow while flexibility was added as the lenders agreed to allow LS Power to roll off portions of the gas hedging arrangement. The deal also included a separate tax-exempt bond offering and a payments in lieu of property taxes (Pilot) arrangement.

Latham & Watkins advised Credit Suisse and **Chadbourne & Parke** acted for the borrower.

Restructuring

Owens Corning

In October last year Owens Corning emerged from a six year bankruptcy process in one of America's biggest and longest asbestos-related Chapter 11 filings. The reorganization of the company produced a trust to resolve asbestos claims and included a landmark Court of Appeals decision on substantive consolidation.

Weil Gotshal advised Credit Suisse as agent for the bank debt holders. **Mayer Brown Rowe & Maw** acted for Banc of America. **Skadden Arps Slate Meagher & Flom**, **Sidley Austin** and **Saul Ewing** all acted for Owens Corning. **Caplin & Drysdale** advised the asbestos committee and **Anderson Kill** acted for the bondholders' committee.

Refco

Two months after its stock exchange debut in August 2005, Refco made an announcement that led to the arrest of its chairman and precipitated the company's descent into Chapter 11 proceedings. Lawyers assisted the emergence of Refco, on December 26 last year, despite internecine disputes between securities and commodities customers, in the first so-called megacase to be filled under the new bankruptcy code.

Skadden Arps Slate Meagher & Flom advised Refco. **Milbank Tweed Hadley & McCloy** and **Kasowitz Benson Torres & Friedman** were counsel to the creditors' committee. **Davis Polk & Wardwell** acted for the secured lenders and **Bingham McCutchen** was Chapter 11 trustee counsel. **Wachtell Lipton Rosen & Katz** advised the buyer of Refco's commodities business. **Togut Segal & Segal** was counsel to the Chapter 7 trustee.

Armstrong

Armstrong's Chapter 11 restructuring pulled in a number of different disciplines and practice groups as lawyers went to trial in the Federal Court to arrange an injunction to shield the reorganized company against asbestos claims and quantify present and future liability. Additionally, lawyers helped Armstrong obtain \$1.1 billion of new financing to fund payments under the reorganization plan without recourse to the capital markets.

Weil Gotshal & Manges acted for Armstrong while **Paul Weiss** advised the unsecured creditors' committee. **Kaye Scholer** was counsel to the future claimants and **Caplin & Drysdale** represented the asbestos committee.

Buenos Aires Province

The Argentine province of Buenos Aires has been in default on its \$3.1 billion of bond debt since 2001. The province's exchange offer covered 16 bonds issued under the laws of three jurisdictions, restructured 94% of the defaulted debt, converted the old bonds into three new New York law-governed issues and reduced the claims against the province by 60%. The terms of the exchange included a unique tender feature, preferential treatment of small holders, and a most-favoured nation clause, granting bondholders the option to participate in any future transaction by the province.

Clary Gottlieb Steen & Hamilton was counsel to Buenos Aires. **Shearman & Sterling** was US counsel to Merrill Lynch. **Bruchou Fernández Madero Lombardi & Mitrani** and **Cabanellas** provided Argentine law advice.

Satélites Mexicanos

The \$700 million restructuring of Satélites Mexicanos (Satmex), involved concurrent bankruptcy proceedings in Mexico and the United States in one of the biggest and most complex cross-border proceedings in Mexican history.

The joint bankruptcy proceedings tested the bounds of Mexico's newly rewritten bankruptcy code, the ability of a Mexican company to restructure its debt under US law and included the intersecting Chapter 11 case of Satmex's main pre-restructuring shareholder, Loral Space & Communications.

Milbank Tweed Hadley & McCloy and local counsel **Galicia y Robles** acted for Satmex. **Wilmer Cutler Pickering Hale and Dorr** and Mexican counsel **Cervantes Aguilar Alvarez Sainz y Verduzco** advised the floating rate noteholders. **White & Case** was conciliador in Satmex's Mexican bankruptcy. **Akin Gump Strauss Hauer & Feld** and **Canales Abogados** advised the high yield bondholders. **Weil Gotshal & Manges**, **Ritch Mueller** and **Thompson & Knight** acted for Loral Space. **Quijano Cortina Lopez y De La Torre** was Mexican litigation counsel to Satmex. **Algaba y Galvan Duque** acted for Citibank as trustee and **Baker McKenzie**, **Gaspar Gutierrez** and **Nixon Peabody** advised the trustee.

Blue Bird Body

Lawyers acting on the Chapter 11 case for school bus manufacturer Blue Bird Body set a new record for speediness in US bankruptcy proceedings, completing the company's restructuring in 32 hours and 24 minutes.

Skadden Arps Slate Meagher & Flom acted for Blue Bird with **Lionel Sawyer** appearing as local counsel in Reno. **Allen & Overy** advised the banks and **Clifford Chance** represented creditor Volvo.



Teams of the year

Debt and equity-linked

Sullivan & Cromwell

The debt side of Sullivan & Cromwell's securities practice excelled last year, winning lead roles on three of IFLR's shortlisted deals of the year: Capital One's Cents; Washington Mutual's Preferred Funding; and Wachovia's Income Trust Securities, or Wits. On Wachovia's issue S&C advised the issuer; on Capital One the firm acted for JP Morgan; and on WaMu preferred funding Sullivan represented structuring adviser Goldman Sachs.

The Sullivan team has been at the forefront of developments in the hybrid securities market, building on 2005's ECAPS deal for Lehman Brothers and the development of replacement capital covenants. Last year the firm acted for JP Morgan on Cemex's \$1.25 billion hybrid offering, the biggest-ever Latin American hybrid and the first to receive equity treatment under IFRS and debt consideration under local tax law.

Cravath Swaine & Moore

In 2006 Cravath Swaine & Moore's securities practice completed more than \$130 billion in debt offerings for its clients. Cravath is viewed by many of IFLR's respondents as the leading underwriter practice in the US. Standout instructions on the bank side last year include acting for Credit Suisse and Citigroup, on Freescale Semiconductor's \$5.95 billion high yield bond; representing Merrill Lynch and JP Morgan, on HealthSouth Corporation's \$1 billion issue; and advising Bear Stearns and Lehman Brothers, on the \$785 million Rexnord's high yield offering.

Freescale Semiconductor's high yield bond featured an innovative toggle note and is shortlisted for IFLR's debt capital markets deal of the year.

Davis Polk & Wardwell

The team at Davis Polk & Wardwell worked on a number of the biggest American debt and equity-linked offerings last year, acting a series of transactions that narrowly missed IFLR's deal of the year shortlist and demonstrating the firm's investment grade and high yield expertise.

Davis Polk's high yield specialists acted for the underwriters Merrill Lynch and JP Morgan on Windstream's \$2.55 billion offering in July; and advised Deutsche on an innovative \$2.4 billion hybrid investment grade/high yield covenant instrument for Bombardier in November.

On the investment grade side, stand out instructions for the firm include representing Oracle on its January note issue; and acting for Citigroup, on Cisco System's offering in February. The two deals had an aggregate value of over \$12 billion.

Shearman & Sterling

The debt team at Shearman & Sterling won roles of two of the deals picked out by IFLR's researchers this year, enjoying particular success in the equity-linked category. The firm advised the underwriters on the \$18 billion refinancing programme for Ford Motors, a deal that produced the biggest single tranche convertible issue for a non-investment grade company; and acted for Amgen on its \$5 billion convertible issue.

Securitization and structured finance

Cadwalader Wickersham & Taft

Last year Cadwalader's structured finance partners appeared on the Dunkin' Brands securitization advising monoline insurer Ambac, and continued to advise Goldman Sachs on its \$3.5 billion pass-through programme. Both transactions made it on to IFLR's deal of the year shortlist, but Cadwalader also advised on three other deals that narrowly missed out on a nomination, acting for agent JP Morgan, on Opteum Financial Services' \$1 billion repurchase transaction; Wachovia and Merrill Lynch, on the \$4.4 billion Black Rock Realty and Tishman Speyer joint venture; and Morgan Stanley, on its mortgage loan-pooling IQ series for insurance companies.

Sidley Austin

Sidley Austin drew on the expertise of its European partners in constructing the first-ever covered bond by a US issuer for its client Washington Mutual. The deal is shortlisted for IFLR's structured finance deal of the year and represents one of the only times the US market has embraced a European concept. In addition to the leading role on WaMu, the Sidley team advised Citigroup in putting together a \$10 billion collateralized funding package for Cerberus' bid for General Motors Acceptance Corporation.

In terms of market impact the GMAC deal could not be more significant, establishing structured finance as a financing technique in situations that are not traditionally linked to securitization, including M&A and private equity financings. The deal is shortlisted for IFLR's private equity deal of the year.

McKee Nelson

The mortgage-backed market was particularly kind to McKee Nelson last year with the firm reporting 346 mortgage-backed issues totalling \$198.8 billion in proceeds in the first nine months of 2006 alone. But the practice at McKee acts on the full spectrum of asset types and structuring techniques. Last year the firm's instructions featured its role advising Merrill Lynch on Costa Bella, the \$500 million hybrid collateralized debt obligation and one of IFLR's structured finance deals of the year. Other noteworthy deals included SLM Student Loan Trust; SGS Investment Grade Credit; Craft Emerging Markets 2006; and Foundation Capital Resources, the securitization of church receivables by a real estate investment trust specializing in faith lending.

Mayer Brown Rowe & Maw

Last year the structured finance team at Mayer Brown demonstrated it is at the cutting edge of the convergence between securitization and debt capital markets, advising Washington Mutual on its \$2 billion hybrid bond, the first to be backed by pools of mortgage loans. The transaction is one of IFLR's shortlisted deals of the year. Mayer Brown also advised the underwriters on Pinnacle Capital's \$1.2 billion asset trust, a transaction that included a novel mechanism to provide protection against Pension Benefit Guaranty Corporation liens.

Clifford Chance

Clifford Chance has built on its expertise in UK and European structured finance to develop its practice in the US, where its specialists were involved last year in establishing collateralized debt obligation convergence products and providing new tools to finance existing products for banks, monoline insurers, rating agencies and collateral managers.

The firm's standout instruction of 2006 was its role advising Barclays Bank on Washington Mutual's covered bond programme, the first by a US issuer.

In other deals Clifford Chance advised the issuer on the latest N-Star real estate collateralized debt obligation; and acted for the issuer and arranger on Westways, the biggest ever market value CDO from a high-grade issuer.

Equity

Simpson Thacher & Bartlett

Simpson Thacher's securities lawyers were particularly productive on the equity side last year winning roles on two of IFLR's deals of the year. Simpson advised MasterCard through its landmark initial public offering and appeared for the company again on Perdigao's SEC-registered offering.

Cleary Gottlieb Steen & Hamilton

Last year Cleary Gottlieb's equity finance team acted for the underwriters Goldman Sachs, on MasterCard's initial public offering; and Grupo Aeroportuario de Pacifico, on its IPO. Both deals make it on to IFLR's deal of the year shortlist.

Shearman & Sterling

Shearman & Sterling won roles on two of IFLR's deals of the year, acting for underwriter Credit Suisse, on the Grupo Aeroportuario de Pacifico initial public offering; and Banco Macro Bansud, on the Argentine bank's international offering.

Davis Polk & Wardwell

Last year's emergence of international issues from Latin American companies and institutions was particularly good for Davis Polk's equity practice. The firm advised the underwriters, on Brascan's and Perdigao's initial public offerings; and appeared for the company on MMX Mineração e Metálicos' offering. The MMX and Brascan instructions mean that the firm has advised on the two biggest IPOs ever on the Sao Paulo exchange. In other deals the firm advised Warner Chilcott, on its \$1 billion offering and Burger King, on its \$488 million listing in May.

Latham & Watkins

Latham advised underwriter Merrill Lynch on the Douglas Emmett initial public offering, the biggest real estate investment trust offering ever and one of IFLR's shortlisted deals of the year. Among other deals the firm also acted for Goldman Sachs on Las Vegas Sands' \$3.2 billion secondary listing.

Cravath Swaine & Moore

In 2006 Cravath appeared on nearly \$30 billion in equity offerings for its clients. As with the firm's debt securities practice respondents stressed the strength of Cravath's underwriter practice. And last year the Cravath appeared for the banks on initial public offerings for Warner Chilcott and CommVault Systems. But the firm's list of instructions also includes a standout deal on the issuer side: acting for First Solar on its \$459 million stock exchange debut in November.

M&A

Sullivan & Cromwell

Alongside Sullivan & Cromwell's instructions on IFLR's shortlisted deals of the year – CVRD Inco, AT&T BellSouth, NYSE Archipelago and Blackrock Merrill Lynch – the firm also found the time to advise Wachovia, on its \$25 billion takeover of Golden West and Adelphia Communications, in its \$17 billion sale to Time Warner, the biggest bankruptcy acquisition to date.

Wachtell Lipton Rosen & Katz

Partners at Wachtell Lipton profited from the return of trade buyers in mergers and acquisitions last year. The firm advised Lucent on its tie up with Alcatel; Golden West on its deal with Wachovia; and the New York Stock Exchange on its reverse takeover of Archipelago. The firm also advised PNC Financial on BlackRock Merrill Lynch.

Skadden Arps Slate Meagher & Flom

Seemingly ubiquitous in international mergers and acquisitions last year, the Skadden team echoes its success in IFLR's European Awards this year, winning a place on the Americas shortlist for its roles on CVRD Inco, Alcatel Lucent, AT&T BellSouth and BlackRock Merrill Lynch.

Cleary Gottlieb Steen & Hamilton

Cleary Gottlieb Steen & Hamilton's mergers and acquisitions practice was one of the beneficiaries of the battle for Canadian mining company Inco. The firm also advised Capital One in its \$14.6 billion acquisition of North Fork.

Davis Polk & Wardwell

Last year Davis Polk's corporate lawyers advised Comcast and Time Warner in the acquisition of assets from Adelphia, and won a role on one of IFLR's shortlisted deals of the year, acting for MCI on its acquisition by Verizon.

Cravath Swaine & Moore

The strength of Cravath's underwriter practice ensured the firm won a role on one of IFLR's deals of the year, appearing for Citigroup as financial adviser to BellSouth in the company's \$89 billion acquisition by AT&T. Cravath also advised on another of IFLR's standout deals, acting for MCI's board in its takeover by Verizon. Cravath also acted for Johnson & Johnson on its \$16.6 billion acquisition of Pfizer's consumer healthcare business.

Private equity

Simpson Thacher & Bartlett

Simpson Thacher's experience and expertise in private equity are well documented, as are its stellar client relationships. Last year the firm acted on three of the deals picked out by IFLR: acting for the consortia in the buyouts of HCA, Travelport and Kerzner International. The HCA deal is the biggest ever buyout while the Kerzner deal featured a rare go-shop provision.

Debevoise & Plimpton

Debevoise & Plimpton's insurance law expertise ensured it won a role on one of IFLR's private equity deals of the year, acting for Cerberus on its acquisition of General Motors Acceptance Corporation. The firm also advised Clayton Dubilier & Rice on Alberto-Culver's spin-off of Sally Beauty, which won a place on this year's shortlist.

Davis Polk & Wardwell

Davis Polk & Wardwell wins a nomination this year for its work advising Morgan Stanley on the record breaking HCA buyout; and acting for CVS on the Supervalu/Albertson deal.

Kirkland & Ellis

Kirkland's relationship with top buyout firm Bain capital proved fruitful last year with the firm advising its client on the €3.5 billion divestiture of Brenntag, the acquisition of Texas Instruments' sensors and controls business; and the acquisition of Burlington Coat Factory Warehouse Corporation. In other deals Kirkland acted for GTCR Golder Rauner in its acquisition of BNY Securities and EZE Castle Software.

Project finance

Orrick

Orrick Herrington & Sutcliffe's project finance partners showed their expertise in infrastructure last year, winning roles on both the Indiana Toll Road and Pocahontas Parkway deals. The two transactions indicate that Orrick has a well-balanced projects practice as the firm acted for the project company on Pocahontas and the lending banks on Indiana.

White & Case

White & Case followed up last year's success on the Chicago Skyway financing with a lead role on the Indiana Toll Road. The \$4.9 billion deal wins a place on IFLR's shortlist this year in its own right while White & Case also demonstrated the strength of its Latin American practice, acting on the Olmos water project in Peru and representing Technologia en Nitrogeno on its nitrogen plant in Mexico.

Milbank Tweed Hadley & McCloy

Milbank Tweed is home to one of the world's leading global project finance operations. Last year the firm acted on one of IFLR's Americas deals of the year, advising the banks on the Pocahontas Parkway.

Latham & Watkins

One of the standout transactions for the Latham & Watkins team last year was its role advising Credit Suisse on the \$1 billion Plum Point power station financing, which featured an innovative gas-hedging arrangement. Latham also acted for Norddeutsche Landesbank on Green Energy, the \$100 million gas compression station in Mexico.

Shearman & Sterling

Last year Shearman & Sterling advised on the first new liquefied natural gas terminal on the east coast for 30 years, the \$1.1 billion Canaport LNG project; and, moving south, acted for lead arranger Calyon on the \$326 million Electrica Guacolda project in Chile.

Restructuring

Weil Gotshal & Manges

Like every other top practice, Weil Gotshal & Manges' bankruptcy and restructuring specialists have seen busier years than 2006, but the firm still managed to secure some of the best mandates around, acting on three of IFLR's deals of the year. Weil advised Credit Suisse, as agent for the bank debt holders, on Owens Corning; Armstrong, on its Chapter 11 filing; and Loral Space, on the Satmex restructuring.

Mayer Brown Rowe & Maw

At a time when corporate defaults are at an all time low and big Chapter 11 cases few and far between, the restructuring team at Mayer Brown won a role on one of IFLR's deals of the year acting for Banc of America on Owens Corning.

Skadden Arps Slate Meagher & Flom

The Skadden team secured a role on two of our deals of the year, acting for Refco on its Chapter 11 reorganization and the company again on Blue Bird Body. The latter is the fastest ever Chapter 11 reorganization. In addition to the two standout roles, the strength of the firm's corporate practice enabled Skadden's restructuring specialists to complete six other Chapter 11 cases.

Milbank Tweed Hadley & McCloy

Last year Milbank Tweed's bankruptcy and restructuring lawyers benefited from the strength of the firm's Latin America practice, acting for Satelites Mexicanos, on its parallel Mexican/American proceedings and ABN Amro, on the \$500 million reorganization of Brazilian telecom operator Global Village Telecom.

In-house counsel

Goldman Sachs

The team at Goldman Sachs excelled last year, acting alongside specialists on a variety of IFLR's deals of the year including the first joint venture securitization programme; innovative hybrid debt issues for Wachovia and Washington Mutual; Alcatel's \$17 billion merger with Lucent; and the first covered bond sold by a US institution. The team also advised MasterCard on its initial public offering, one of IFLR's equity deals of the year.

Washington Mutual

In September last year Seattle bank Washington Mutual produced the first ever covered bond for a US issuer. The in-house legal team at WaMu working on the transaction assisted in importing European technology into the US market and helped put together a hybrid bond for the bank's real estate investment trust subsidiary.

MasterCard

The biggest initial public offering of last year saw counsel at MasterCard oversee a transformation of the company's unique governance structure in one of IFLR's shortlisted equity deals of the year.

Freescale Semiconductor

Having navigated the company's \$17 billion buyout last year, counsel at Freescale also teamed up with outside specialists to put together the world's biggest high yield bond since the late 1980s.







