

What you need to know. Now.

Wall Street & Technology

Now Available on the iPad™

Available on the App Store

Wall Street & Technology

WS & T

Download Our Free iPad App

- Home
- New s
- Blog
- Opinions
- CIO Profiles
- Video
- Live Events
- Online Events
- Industry Jobs
- Product Charts
- Portfolio Management
- Trade Order Management
- Buyer's Guide
- White Papers
- Resource-Centers
- Market Intelligence



Issues Archive

- About Us / Media Kit
- Subscription-New sletter
- Subscription-Magazine
- Editorial Calendar
- Contact Us
- Reprints
- Magazine Issues
- Headline Widget
- Feedback
- Digital Edition
- Current Issue
- RSS

- Advanced Trading
- Insurance & Tech
- Bank Systems & Tech

Face-to-Face Events:

Online Events:



Blackstone Flexes Advisory Muscle in Turbulent Markets

Blackstone Group, the massive private equity firm, advised Bank of America when Warren Buffett's Berkshire Hathaway offered the bank \$5 billion of much-needed equity in August.

By Reuters [@wallstreettech](#)
DECEMBER 16, 2011

[Recommend](#) [Tweet](#)

NEW YORK - When Warren Buffett's Berkshire Hathaway offered Bank of America \$5 billion of much-needed equity in August, the bank's directors turned to private equity giant Blackstone Group LP for quick advice.

Related Resources

- Impact of Dodd-Frank on OTC Derivatives: Supporting Central Trading and Clearing
- Securities and capital markets: How to meet your investment needs
- Your Business Moves Faster When You're at the Controls

Chief Executive Steve Schwarzman took charge, leading his advisory arm in a rapid-fire review of the offer: a board meeting in the early hours of the morning and acceptance of the deal within 24 hours.

Although Blackstone is now more widely associated with private equity, it began life as an advisory shop and continues to work on complex assignments. The 26-year-old company has advised Enron on its bankruptcy, American International Group on its financial-crisis restructuring and hedge fund manager Bill Ackman on several investments.

Now, along with law firms Allen & Overy and White & Case, Blackstone is representing several creditors of Greece in negotiations on the nation's debt restructuring, sources said this week.

Complexity, Blackstone says, is good for business.

"We are now operating in an environment geopolitically where no two situations are going to be the same," said John Studzinski, global head of Blackstone Advisory Partners. "We think 2012 will be a very good year for this business because the world is not going to become any simpler."

The pipeline for next year is double what it was last year at this time, he told Reuters in an interview.

"They are not just an advisory firm with great relationships and institutional knowledge; they are great investors," said Ackman, who has been a long-time client. "That is an enormously differentiated quality in the business of giving advice."

Ackman said Blackstone agreed in 2005 to work for his then-fledgling Pershing Square Capital Management in relation to his investment in Wendy's, while some investment banks shied away from being associated with an activist.

"Blackstone was willing to represent us in one of our first, most high profile situations, and we had a very successful outcome," Ackman said.

Subscribe to Wall Street & Technology E-Newsletter!
Your E-mail address

WS&T 360°

The most actionable insider information you can get. Legally.

Stay a step ahead with the most relevant offerings from Wall Street & Technology's Industry Solutions Center

Wall Street & Technology

INDUSTRY SOLUTIONS CENTER

[CLICK HERE](#)

Industry Jobs

- IT TEAM LEADER (Central Bank Operations)**
First Citizens Bank, Raleigh, NC
- Online Banking Tech Lead**
Experis: Formerly COMSYS, Atlanta, GA
- SQL Developer - Investment Banking**
Hatstand Ltd, New York, NY

Search Jobs...

Studzinski's group and Timothy Coleman's restructuring and reorganization group have only about 50 senior bankers in all, making it smaller than many rivals. Lazard Ltd, for example, has 140 senior bankers in its financial advisory group.

Blackstone does not release financials separately for the advisory and restructuring group. The financial advisory division overall, which also includes the fund placement unit, posted \$264.6 million in revenue for the first nine months, down from \$300.8 million in the same period last year.

Deal activity declined dramatically in the second half after a strong start to the year, with dealmaking in fourth quarter falling 31 percent from the previous three months to \$398 billion, Thomson Reuters data shows.

INVESTMENT-ADVISORY MODEL

Blackstone, like other independent banks, does not offer investment banking services such as underwriting that are a staple at the large Wall Street banks.

But unlike a typical boutique, Blackstone brings in its experience and relationships from a myriad of other activities across the company -- from private equity to credit businesses -- to bear on its advice, sometimes with Schwarzman himself getting in front of client boards.

Blackstone's experience with China Investment Corp (CIC), which is an investor in the company, for example, helped when it was advising GDF Suez SA in a deal with the sovereign fund earlier this year.

"Steve Schwarzman was able to sit in front of the Suez board and give them a very honest view as to how to welcome CIC as a shareholder and co-investor," Studzinski said.

Blackstone has a group of people who manage all the banking relationships of its roughly 65 portfolio companies, giving the company a view of corporate finance from a cross-section of banks -- knowledge that it can use in its advice to clients.

One criticism of having several businesses, however, is that it could raise conflict of interest issues, a point often made by boutiques that focus on just one business such as M&A.

"If you specialize in one of those products, then there is no conflict of interest or perception of a conflict of interest," said Campbell Harvey, a finance professor at Duke University. "However, if you just specialize in one, you can't draw in the expertise of the other areas that you have diversified into."

Studzinski said Blackstone's highly decentralized structure eliminates the possibility of such conflict.

"We are mindful of the fact that when we are investing, we are investing with our limited partners' capital," he said. "When we are advising, we are advising our clients. And they are very separate."

Paula Rosput Reynolds, AIG's former chief restructuring officer, said in an email that she felt Blackstone had AIG's interest "at the forefront" when it was advising on the insurer's restructuring.



Bank of America and AIG declined to comment. (Reporting By Paritosh Bansal; Edited by Jed Horowitz and Steve Orlofsky)

Copyright 2010 by Reuters. All rights reserved.

Copyright 2011 Thomson Reuters. Click For Restrictions

Printer Friendly

Like this article? Sign up for Wall Street & Technology daily e-mail newsletter to get more news and analysis delivered right to your in-box.

Subscribe to Jobs by:   

Featured Reports

How To Build a Mission-Critical Data Center
 Research: State of the IT Service Desk
 Will IPv6 Make Us Unsafe?
 Database Defenses
 Return of the Silos

Tag Trends

- | | |
|------------------------------|------------------------------|
| 1. Compliance | 6. Data Management |
| 2. Risk Management | 7. Trading Technology |
| 3. Regulation | 8. SEC |
| 4. Electronic Trading | 9. Mobile |
| 5. Data Latency | 10. iPad |

Top Tag Trends for the Year

Related Articles

Bank of America on Right Path, Says Former CEO McColl.
 Hugh McColl Jr., the former CEO of Bank of America, says current Chief Brian Moynihan is making the right moves.
 SEC Asks Judge to Pause Citigroup Case, Await Appeal
 The SEC asked the judge who rejected its \$285 million settlement with Citigroup to postpone the trial, pending an appeal of his ruling.
 Wall Street Losing Addiction to "CrackBerrys"
 BlackBerry maker Research In Motion is ailing. Hedge fund managers and technology leaders say it's easy to see why the once dominant mobile provider is struggling in the U.S. Market.

Related Blogs

CME Exec Drops Bombshell that Corzine Knew About Customer Fund Transfers
 With MF Global Rule, Regs Finally Take One Small Step In Right Direction
 Regs Crack The Whip On Wall Street Risk-Taking With New "MF Global" Rule