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## 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

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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.

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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.

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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)

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