

## Structured Finance Group Of The Year: Dentons

By **Kat Lucero**

*Law360 (February 28, 2024, 3:16 PM EST)* -- Dentons helped rescue the banking industry in 2023 by securing a \$50 billion deal financing the Federal Deposit Insurance Corp.'s receivership of First Republic Bank following the second-largest bank failure in the U.S., earning the firm a spot among Law360's Structured Financing Groups of the Year for the third consecutive year.

The multibillion-dollar transaction for the receivership program, which was completed in September, was the first of its kind for the FDIC, according to the Dentons team. The regulator formed a special purpose trust to issue \$50 billion worth of Class A senior notes and sell them to the U.S. Department of Treasury's federal financing bank, which provides financing to help federal agencies manage their borrowing and lending programs.

The receivership deal included a purchase and assumption agreement between the FDIC and JPMorgan Chase Bank as the financial institution that later assumed First Republic's deposits and assets. JPMorgan's purchase money note to the FDIC backed the notes.

The financing aimed to reduce the cost of the FDIC's receivership of First Republic Bank's assets and liabilities and essentially enabled the regulatory agency to "finance this purchase money note at a risk-free rate," said Stephen S. Kudenholdt, a New York-based partner who leads the firm's structured finance team.

The arrangement enabled the FDIC to liquidate an asset of the receivership and use the proceeds to pay down other debt the receivership had inherited, he said.

In May 2023, California regulators shut down San Francisco-based First Republic after high-net-worth customers, including startups and venture capitalists, withdrew large amounts of unsecured deposits in response to the collapses of other regional lending institutions like Silicon Valley Bank and Signature Bank.

The closure of First Republic ranks just behind the collapse of Washington Mutual during the 2008 financial crisis — the largest bank failure in U.S. history.

Kudenholdt said the firm's relationship with the FDIC dates back to the same period during which Dentons assisted it with other receiverships and asset dispositions.



Dentons' second-largest achievement of 2023 involved a \$2.3 billion financing deal helping to stabilize Credit Suisse. In recent years, a series of scandals and failed restructuring efforts crippled the Switzerland-based company, considered one of the world's top investment banks. Its rival UBS Group purchased it last year in an all-stock deal brokered by the Swiss government.

Dentons represented JPMorgan as the main lender to private equity firm the Apollo Group in acquiring Credit Suisse's securitized products group, which is the bank's "crown jewel" in the U.S., according to Erik D. Klingenberg, who helms the firm's capital markets practice.

The group was "one of the most, if not the most, profitable group within Credit Suisse as a global institution," said Klingenberg. Its primary asset is the "book of business" comprising billions of dollars' worth of loans the group made to various companies, he said.

Structuring the financing for the acquisition was complicated, according to Klingenberg. It involved creating new entities and multiple steps where "the assets were sort of moving through a chain to create a structure that worked for both Apollo and the various investor groups that are part of Apollo," he said, adding the structure also addressed JPMorgan's bankruptcy concerns, which included protecting itself from any sort of insolvency risks.

"A lot of different considerations went into creating the structure under a pretty significant time frame with very senior involvement and oversight," said Klingenberg.

The deal closed in February 2023.

Dentons has previously worked with Credit Suisse as the initial buyer of two triple-net-lease securitizations, part of a \$1.7 billion deal that first earned the firm a slot among Law360's Structured Finance Groups of the Year.

The firm gained similar recognition for its work in 2022, including leading one of the most unique securitization transactions to date — helping Texas-based Rayburn Country Electric Cooperative Inc. securitize its debt in the aftermath of Winter Storm Uri.

--Editing by Dave Trumbore.