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Private Equity MVP: Latham & Watkins' Howard Sobel

Howard Sobel

By **Liz Hoffman**

Law360, New York (December 12, 2011, 4:35 PM ET) -- Pulling off a leveraged buyout these days is hard enough, but the $2.6 billion acquisition of BJ's Wholesale Club Inc. in June by two private equity firms scores extra points for creativity and performance under pressure, earning Latham & Watkins LLP partner Howard Sobel, who represented the buyers, a spot among Law 360's Private Equity MVPs.

The deal essentially required seven slices of funding to come together on the same day: three sale-leaseback real estate deals, three bank loans and $425 million in equity from the buyers, Leonard Green & Partners LP and CVC Capital Partners.

Any delay could topple the transactions and leave Leonard Green and CVC — and the Latham deals team, which also included partner John Giouroukakis — looking very foolish.

"The BJ's transaction was particularly complex for a variety of reasons," Sobel said. "But representing private equity firms in highly structured, leveraged going-private transactions is always a challenging puzzle, which is precisely what makes our work so interesting."

The deal hinged on the sale and leaseback of about 20 BJ's properties that would bridge the gap between the committed equity and the bank loans. The real estate deals would kick in some $525 million — about a quarter of the nonequity financing — and limit the amount of debt the buyout would hang on the wholesaler, Sobel said.

"This was a thinking-around-corners kind of transaction," said Sobel, head of Latham's private equity practice. "While we didn't expect any issues closing the real estate transactions, we couldn't take the chance of coming to the closing half a billion dollars short."

To make sure the real estate proceeds were available at the closing, Sobel had BJ's put the deeds to the properties in escrow once the details had been worked out with the three buyers. With that portion of the financing sewn up and $1.6 billion in bank commitments, the deal went through without a hitch.

Just getting to the deal table was an 18-month process that played out largely in behind-the-scenes talks and media speculation.

Leonard Green had acquired an increasingly big toehold position in the company — 9.5 percent by July 2010, according to regulatory filings — and had pushed BJ's to boost its stock price. The wholesaler has long trailed industry leader Costco Wholesale Corp. and Wal-Mart Stores Inc.'s Sam's Club, and at the time, had just made an announcement that it would close underperforming stores in light of lackluster sales.

Leonard Green made a quiet bid for BJ's in late 2010 and the company responded by retaining Morgan Stanley & Co. to explore its options with an auction, confirming that it was for sale in February. The deal was eventually announced June 29, with BJ's stockholders receiving $51.25 per share, a premium of nearly 30 percent over the stock price the day before the private equity firm disclosed its toehold investment.

The BJ's buyout was the latest deal Sobel has headed up for Leonard Green in a relationship that stretches more than 15 years. Since executing his first transaction for the firm — an investment in Twin Laboratories, a vitamin and nutritional supplement manufacturer in 1996 — Sobel has headed up at least 14 majority acquisitions and a handful of exits for the Los Angeles-based company.

Most recently, Sobel has steered Leonard Green to a handful of retail take-private deals, including apparel brand J.Crew Group Inc. for $3 billion and craft retailer Jo-Ann Stores Inc. for $1.6 billion, both in 2010.

He also advised the firm on its $425 million equity investment in Whole Foods Market Inc. in 2008, a deal that served as a sorely needed boost for the gourmet grocer.

As co-chairman of Latham & Watkins' private equity practice, Sobel routinely represents some of the industry's biggest players in leveraged acquisitions, equity investments and M&A activity on behalf of portfolio companies.

This year, working mostly on the buy side for cash-rich clients, Sobel has shepherded firms like Odyssey Investment Partners LLC, Centerbridge Partners LP and Aquiline Capital Partners LLC to more than 15 acquisitions in the industrial, energy and financial sectors.

He advised Conning & Co., an Aquiline portfolio company, in its joint venture with Cathay Financial Holding Co. Ltd. to launch an institutional asset management service in the Pacific Rim, and helped Centerbridge take a minority stake in Seitel Inc., an oil and gas data provider, in May.

Sobel has been in private equity for more than three decades, since coming to corporate law in 1979 from a stint as law clerk to a Delaware federal judge. He came to Latham & Watkins in 2002 from Kramer Levin Naftalis & Frankel LLP, where he headed the firm's corporate department.

--Editing by Lindsay Naylor.

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