

Structured Finance Group Of The Year: Cadwalader

By **Grace Dixon**

Law360 (February 14, 2023, 2:02 PM EST) -- Cadwalader Wickersham & Taft LLP's structured finance team guided Wells Fargo's financing of Blackstone's affordable housing grab in Florida, the first such deal to secure a social bond label, earning its place among Law360's Structured Finance Groups of the Year.

Michael Gambro, co-chair of the practice group, told Law360 that the depth of the firm's decadeslong history within the sector, as well as its history of working alongside the nation's top banks, has helped position it as a respected leader within the field of structured finance and securitization.

"We have been doing this for well over 40 years," Gambro said. "We have the historical background, we have the practitioners that helped develop the structured finance practice over the years, as well as the generations that followed."

And this institutional knowledge has set up the 230-year-old firm to lead the charge on innovative transactions, including advising issuer Wells Fargo Bank NA on the securitization of a \$1.5 billion floating-rate loan that financed Blackstone's buy of affordable housing in Florida.

The loan originated by Wells Fargo and Goldman Sachs Bank USA financed the private equity giant's purchase of 10,965 units across 24 state submarkets.

Notably, the deal was the first nonagency commercial-backed mortgage securitization to secure a social bond label. Sustainalytics, an environmental, social and governance, or ESG, rating firm, confirmed at the time that the bonds met social bond parameters set out by the International Capital Market Association.

Gambro added that the practice group's handling of Freddie Mac's multifamily securitization work left the firm well-equipped to advise Wells Fargo.

"I think the fact that ... Freddie Mac has been doing these sort of social bonds, as well as generally ESG-type transactions gave us a leg up in advising Wells Fargo with respect to their private label transaction," Gambro said.



Stuart Goldstein, Cadwalader practice group co-chair, added that the firm's London office has been a significant asset to the practice group.

"In order to do transactions in the United States that appeal to investors in the EU or in the U.K., we have to have a top-notch regulatory capability, which we do have in London and vice versa, as well," Goldstein said. "A lot of these transactions are cross border and since there will be investors that are across the pond, if you will, in whichever direction that requires us to be able to deal with the regulatory environment that is created by the different jurisdictions."

And the strength of Cadwalader's London office laid the groundwork for the firm to counsel Credit Suisse, as arranger and placement agent, on the first commercial real estate collateralized loan obligation, or CLO, in Europe since the credit crisis.

The £219.8 million (\$266.8 million) deal consisted of dual currency notes backed by nine loans issued by Starz Real Estate and secured by 17 properties from a number of sectors spanning the EU and U.K., per Cadwalader.

Though the deal was the first commercial real estate CLO since the European sovereign debt crisis rocked the continent's financial system, more than \$40 billion in commercial real estate CLO's had been issued in the U.S. in 2021 at the time of the Starz deal. And Cadwalader was well-positioned to bring this expertise across the pond.

Goldstein told Law360 that not only was the transaction novel because it was a trailblazer in the aftermath of the financial crisis, but also because of the dual currency component structured to address the cross-border nature of the deal.

"They issued securities in two different currencies ... to deal with the basis risk issue with the underlying assets being denominated in different currencies," Goldstein said.

Cadwalader also flexed its cross-border capabilities when it advised Morgan Stanley & Co. in a transaction involving a unique pass-through structure to deal with U.S. and Irish regulatory and tax restrictions.

When Irish regulations prevented Morgan Stanley from securitizing a portfolio of middle-market loans, the firm stepped in to advise the company on a workaround. Rather than securitize the group of loans, Cadwalader advised Morgan Stanley as lead manager, placement agent and initial purchaser in a \$220 million BlackRock transaction that set up a single collateralized loan obligation backed by the various loans.

"Utilizing tax techniques and an understanding of the CLO market, we were able to bring that to market in a way that was much more capital efficient and which allowed us to do a cross-border securitization to satisfy the tax requirements in both Europe and the U.S.," Goldstein said.

Though it's coming off a blockbuster year, the 150-attorney strong practice group isn't content to rest on its laurels, the co-chairs told Law360.

"We continue to be very involved in all of the trade associations and have dialogue with our counterparts and with our clients to understand what is changing and try and be ahead of the curve as things change," Goldstein said.

Cadwalader structured finance attorneys have their eyes on further collaboration across continents, esoteric asset class securitization, as well as all things adjacent to residential mortgages in the coming year, he added.

"Innovation is definitely what's in our eyes," Goldstein said.

--Editing by Nicole Bleier.

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