

## Structured Finance Group Of The Year: Dechert

By Isaac Monterose

*Law360 (February 15, 2023, 2:03 PM EST)* -- Dechert LLP's structured finance team guided several major 2022 transactions, such as Churchill Asset Management LLC's \$700 million collateralized fund obligation and JPMorgan's structuring of Pentagon Federal Credit Union's first offering of \$460 million in auto loan-backed securities, earning its spot among Law360's 2022 Structured Finance Groups of the Year.

According to Dechert's structured finance team co-chair Laura Swihart, the team has roughly 200 attorneys working in more than 14 offices across five countries in major cities such as New York, Philadelphia, Dubai, Paris, London and Washington, D.C. According to Swihart, the Philadelphia, New York and London offices probably have the highest concentration of structured finance attorneys.

Swihart said that structured finance is one of Dechert's largest "premier" teams, and the team started as smaller groups of attorneys who worked in specific types of structured finance. Now, these attorneys work together and are continuously learning more about the practice.

"So, for instance, something very interesting in a structure might happen in an auto loan deal," Swihart told Law360. "When you're doing a [collateralized loan obligation], we meet regularly and discuss, 'Hey, we did this thing for a client, and we could actually use that in this area as well.'"

When it came to one of the structured finance team's 2022 accomplishments, Swihart touched on the team advising JP Morgan Securities LLC when the bank corporation was a structuring lead in August for Pentagon Federal Credit Union's initial offering of \$460 million in auto loan-backed securities.

Swihart said the team began its work by speaking to credit unions, and that trying to convince them that they "can get liquidity and financing for their products through securitization was an interesting, fun thing to do."

Swihart also touched on leading the team that guided multifamily property investor MF1 Capital's issuance of a collateralized loan obligation in January 2022. The investor's CLO was valued at more than \$2 billion, and it was one of the five largest commercial real estate CLOs ever issued, according to Dechert. The CLO was announced and priced two days before the annual CRE Finance Council, which is a commercial real estate industry trade event.



MF1 Capital wanted the transaction to be done quickly so that the CLO could be marketed at the conference, Swihart said.

"So it was a very, very fast turnaround in order to get the deal done quickly and still give them flexibility," she said. "They wanted a ramp-up period in the transaction, which basically allows additional collateral to be put on after the closing so you can close and sell the bonds and then still add collateral if you don't have it ready to go into the securitization."

Swihart also led the Dechert team that advised agricultural lender Farmer Mac when it issued a series of agency mortgage backed securities in October 2021 and August. The two transactions included 834 first-lien loans that came with a \$603.8 million aggregate balance. According to Swihart, Farmer Mac picked Dechert due to the firm's previous work with Freddie Mac's securitizations of multifamily properties.

Swihart told Law360 that working for Farmer Mac was an interesting change of pace, because the securities involved agriculture and farm property instead of securities for real estate like residential buildings.

"It was a lot of fun, interesting diligence into what is considered real property on a farm," Swihart said. "For instance, a tree is, because it's very hard to unroot it and take it away, and it stays there, but the actual almonds on the tree are not part of your collateral; that's a product of the tree."

This diligence was important because securitization involves explaining what's considered to be collateral and the associated risks and issues, Swihart said. She also explained how "fun" it was to learn about agricultural loans.

"I like to learn new things," she said. "I didn't know how water rights work on a farm and what risks are with weather, how the insurance works in a situation like that. If it's a farm, do you actually have a lien on the person's house on the farm? What kind of government programs are farmers able to use that we can say can help them?"

Swihart found it "fascinating" to learn about these types of loans and compared the process to stepping into a "whole other world."

When it comes to day-to-day work on the structured finance team, Dechert partner John Timperio, who has worked at the firm for 18 years, told Law360 that the team has been able to influence the market in CLOs and structured credit products.

"In that product line in particular, we've been able to really shape the market," Timperio said. "You go back historically, we worked on the first ever rated middle-market CLO in 2000, we do a majority of the middle-market CLOs, we do a majority of the recurring revenue CLOs [and] we're the most active manager counsel on broadly syndicated liquid credit side."

"Additionally, when the market confronts changes or regulatory issues, we've had a unique ability to shape the way the market addresses the issue," he also said before bringing up risk retention as an example.

"Dechert proposed a bunch of options for managers looking to structure their operations in a way that complies with risk retention," Timperio said. "Those options ultimately became what the whole [asset] manager universe did."

Timperio was one of the partners on the lead counsel team that aided Churchill Asset Management LLC with its inaugural \$700 million collateralized fund obligation, or CFO, in June. Churchill Asset Management is an investment affiliate of Teachers Insurance and Annuity Association of America subsidiary Nuveen, and Timperio said that the CFO drew a "tremendous amount of publicity."

"I think it brought that market to the attention of a lot of asset managers who were thinking about financing private financial assets," Timperio said. According to Timperio, an "interesting" challenge with CFOs is the lack of a single defined way to do them, unlike CLOs, which allow more room for creative approaches.

"The types of CFOs can be as varied as the underlying interests, and so there's a lot more room for creativity, and the flip side is that there tends to be a lot more work in terms of the drafting and the structuring of those deals, because there's no one blueprint for how you do a CFO," Timperio said.

Timperio also spoke about working with other Dechert partners from other practice teams on the Churchill Asset Management deal. He said that there's "increasing overlap" between what CFO attorneys do with what the firm's private fund partners work on.

"For example, you have CFOs, which we really relied pretty heavily on our private fund partners to assist with helping us get all these LP interests into this issuing vehicle," Timperio said. "Additionally, they help with a lot of disclosure related to the underlying private funds."

He also pointed to CLO equity funds as another example of overlap, because those transactions are "both in the CLO world and the private funds world."

--Editing by Dave Trumbore.