

The Rise of King & Spalding

SURELY THERE CAN BE NO HIGHER PRAISE from Rob Kindler than this: "They are the Cravath of the South."

Mr. Kindler, the global head of M&A at JP Morgan, and, yes, a former partner at Cravath, is referring to the Atlanta firm of King & Spalding. "There are only a few law firms that have gone from regional to national status," Mr. Kindler says. "King & Spalding is a world-class firm."



E. William Bates II, partner, New York; deputy team leader Mergers & Acquisitions Practice

King & Spalding opened their first office in Atlanta in 1885, and, as few as ten years ago, was still seen as a respectable firm from the provinces. Indeed, it was only in the mid-1980s, recalls Michael Egan, chairman of the firm's M&A practice group, that the firm did its first billion-dollar deals, both for Coca-Cola—the \$1.4 billion and the \$1 billion purchase of the Lupton and Beatrice bottling systems respectively.

In 1983, the firm first set up a specialized group of corporate lawyers to focus exclusively on M&A transactions. From roughly five partners and five associates, the practice group now includes some 65 attorneys. From its one office in Atlanta, it has opened branches in Washington, D.C., Houston, New York, and, in January 2003, it will open its first foreign office in London. Its Fortune 100 clients now include not only Coca-Cola, but also Dow Chemical, General Electric, Georgia-Pacific, Home Depot, Lockheed Martin, UPS, and Sprint. In 2001, the firm came in 47th place in The American Lawyer's Global 100, a ranking of the world's highest grossing law firms, with \$352 million in revenue. How did all this happen, and how did it happen in such a relatively short time?



Michael J. Egan III, partner, Atlanta; chairman, Mergers & Acquisitions Practice Group

From M&A to Sports

Cross-selling to satisfied clients is one way. Sprint, General Electric, and Dow Chemical, for example, were all happy recipients of the firm's tax advice when each decided to give King &

Spalding a chance in M&A. Home Depot, another important client, has moved aggressively into Mexico buying up home-improvement stores with King & Spalding riding shotgun, and has divested itself of assets in Chile and Argentina. For its growing Latin American practice, the firm can turn to John Keffer in Houston, who grew up in Cuba, and Carlos Triestman who grew up in Peru. Sprint and Coca-Cola are also very active in Central and South America.

The fertilization also works in reverse. "We had worked with Home Depot on their M&A work for a number of years," says Mr. Egan. Arthur Blank, the co-founder of Home Depot, had his eye on the Atlanta Falcons. "He called us to assist him."

The Smith family had owned the team since 1966. The family patriarch died in 1997, and when the estate was finally settled, the family was permitted to sell the team. By 2001, the Falcons were set to go on the auction block. Morgan Stanley had prepared an offering memorandum and was ready to start the process. Then Arthur Blank made a preemptive bid. He and Taylor Smith, a leader of the family, had dinner at the Ritz Carlton, with no advisors present. They came out with a handshake agreement on the price. And King & Spalding raced to fill in just about every other conceivable detail.

"We didn't have a napkin signed," recalls Mr. Egan. In most such cases, public announcements are saved until there is a signed purchase agreement but this was too high-profile a deal to keep secret. It was announced immediately and the lawyers got to work. "We only had four lawyers at King & Spalding who even knew we were involved," says Mr. Egan. The team changed hands for \$545 million, which Mr. Egan says is well within the \$500-to-\$800 million range for NFL teams that sold in 2001.

In other sports news, King & Spalding recently undid what it set up for Enron Field and the Astros—the 20-year agreement worth \$100 million that emblazoned the name of the energy company on the sports stadium. King & Spalding helped unwind the agreement. As Mr. Egan puts it delicately: "When Enron had its very significant problems, it became apparent that it was unlikely to continue to perform under its part of

the agreement and the Astros had some public-relations concerns."

Theoretical Risks

Clients say that King & Spalding is known and liked for its quickly acquired knowledge of the business of those it serves, and because it disdains needless complications. Says JP Morgan's Mr. Kindler: "They take what you might call a commercial approach. They are very practical, cutting through the legalese to get to what matters."

F. Davis Terry agrees. A managing director at UBS Warburg who has worked with King & Spalding on Sprint's transactions, Mr. Terry says: "The number-one complaint among clients is that attorneys impede the process because they focus on legal issues out of proportion to what they want to accomplish. King & Spalding determines what level of protection a client wants and then tailors its risk/benefit analysis accordingly. The firm does not waste time by focusing on theoretical risks."

Cathy Harper, a vice president in the legal department of UPS, says King & Spalding quickly moved deep into the company, learning how its business works. The firm is now one of around two dozen law firms in what UPS calls its "core counsel network," a select group pared down from the company's list four years ago of 150 law firms.

Every client belongs to the firm, not to one partner, says King & Spalding's Bruce Hawthorne. Every lawyer, Mr. Hawthorne says, is expected to be an M&A Renaissance man, with a working knowledge of employee benefits, tax, environmental issues as well as the more mainstream issues that are involved in such transactions. Similarly, the firm does not set up teams to specialize in the various aspects of M&A. Says William Spalding, head of the private equity practice group: "LBO shops especially don't like the team approach." Matters are staffed by a smaller number of attorneys who handle the transaction "from soup to nuts."

Expanding

King & Spalding opened its first office outside Atlanta in Washington, D.C. in 1979 at the behest of Coca-Cola, which needed regulatory advice particularly at the Food and Drug Administration. In the late 1990s, the firm decided to expand the reach of the Washington office beyond tax and related corporate matters. It now has a broad corporate practice, including M&A and corporate finance. The Washington office also provides FDA related licensing transaction work, such as for early-stage drug devel-

opment and medical-device companies.

The New York office was set up in the early 1990s through a merger with Porter and Travers, a small, 15-lawyer firm. There are now 120 lawyers in Manhattan. The Houston office was established in 1995 at the request of Texaco, a King & Spalding client, for litigation support. Initially, the office grew in the litigation area; later, the decision was made to grow the corporate and transactional practice.

The Houston office boasts an impressive Latin American practice, whose breadth and depth was increased by John Keffer. Mr. Keffer, who formerly worked across the table from King & Spalding during its representation of Drayton McLane in his purchase of the Houston Astros baseball team, joined the firm in Houston in 1998 and built a fairly sizeable group of bilingual and bicultural attorneys to handle a variety of foreign investment transactions across a wide range of industries, including telecommunications, home improvement and energy. Home Depot, for instance, was active both in the acquisition side in Mexico, acquiring Total Home and Madereria Del Norte, S.A. de C.V., as well as in the divestiture of certain of its interests in Argentina. In the energy area, the firm recently represented the Beacon Group in its acquisition of a crude-oil pipeline for \$285 million from Exxon Pipeline Company, and represented Texaco in the formation of a venture involving extensive pipeline assets in Louisiana.

The firm's Latin American practice illustrates its activity and presence in crossborder transactions. In addition to interests in Latin America, the firm's clients increasingly have business interests on other continents. For example, the firm represented GE Industrial Systems in its acquisition of the worldwide sensors business from Spirent plc, which involved assets in Asia, Europe, and the Americas.

King & Spalding plans to open an office in London in January 2003. The London office will support the firm's Global Projects & Transactions and International Energy Sector groups. With European deal flow exceeding domestic M&A volume, this is seen as a natural step. Without a London office, says partner William Bates, King & Spalding would not be on approved counsel lists at many Fortune 100 firms.



Bruce N. Hawthorne, partner, Atlanta; head Telecom & Communications Technology Practice Group



John L. Keffer, partner, London; chairman, Latin American Practice Group



William R. Spalding, partner, Atlanta & London; team leader Private Equity & Investment Funds Practice Group

The Deals of King & Spalding

A sampling from 2001-2002

- CLIENT ING Real Estate
TRANSACTION Acquisition of private industrial REIT from Crow Family Holdings Limited Partnership
VALUE/DATE \$1.6 Billion/Pending
- CLIENT Sprint Corporation
TRANSACTION Sale of Sprint 's publishing and advertising phone book division to R.H. Donnelley Corp.
VALUE/DATE \$2.2 Billion/Pending
- CLIENT SunTrust Robinson Humphrey
TRANSACTION Representation of financial advisor to Gray Communications in acquisition of Benedek Broadcasting
VALUE/DATE \$500 Million/Pending
- CLIENT Stephens Financial Group
TRANSACTION Representation of financial advisor to Northrop Grumman in connection with its merger with TRW
VALUE/DATE \$7.8 Billion/December 2002
- CLIENT The Home Depot, Inc.
TRANSACTION Acquisition of Floors, Inc., Floorworks, Inc., and Arvada Hardwood Floor Co.
VALUE/DATE NPA/November 2002
- CLIENT John H. Harland Company
TRANSACTION Acquisition of Interlinq Software Corporation
VALUE/DATE \$33 Million/October 2002
- CLIENT Seaboard Flour Corporation
TRANSACTION Sale by Seaboard Flour Corporation of substantially all of its assets to Seaboard Corporation
VALUE/DATE \$50 Million/October 2002
- CLIENT CAiCE Software Corporation
TRANSACTION Sale of corporation's assets to Autodesk, Inc.
VALUE/DATE \$10 Million/September 2002
- CLIENT Sprint Corporation
TRANSACTION Sale of majority stake in Pegaso PCS to Telefonica
VALUE/DATE \$1.4 Billion/September 2002
- CLIENT ELM Packaging Company, L.P.
TRANSACTION Sale of assets to a subsidiary of TekniPlex, Inc.
VALUE/DATE \$15 Million/July 2002
- CLIENT Lockheed Martin Corporation
TRANSACTION Sale of 100% of the stock of Formtek, Inc. to SWANN One, Inc.
VALUE/DATE NPA/July 2002
- CLIENT The Coca-Cola Company
TRANSACTION Acquisition from Danone S.A. of the North American Distribution Rights to Evian
VALUE/DATE NPA/June 2002
- CLIENT U.S. Lithium Energetics, LLC
TRANSACTION Acquisition of lithium-ion battery manufacturing division of Moltech Power Systems, Inc.
VALUE/DATE \$12 Million/July 2002
- CLIENT AmeriChoice Corp.
TRANSACTION Sale of company to United Health Group, Inc.
VALUE/DATE \$530 Million/June 2002
- CLIENT Medifax-EDI, Inc.
TRANSACTION Acquisition of substantially all assets of Working Rx, L.C.
VALUE/DATE NPA/June 2002
- CLIENT The Coca-Cola Company
TRANSACTION Acquisition of the Seagrams Mixers Business from Diageo plc and Pernod Ricard S.A.
VALUE/DATE NPA/June 2002
- CLIENT Intown Suites Management, Inc.
TRANSACTION Purchase of all of Suburban's common stock
VALUE/DATE \$100 Million/May 2002
- CLIENT The Coca-Cola Company
TRANSACTION Acquisition of the A&W beverages business from Cadbury Schweppes plc in Southeast Asia
VALUE/DATE NPA/May 2002
- CLIENT Caremark, Rx, Inc.
TRANSACTION Acquisition of Choice Source Therapeutics
VALUE/DATE \$50 Million/April 2002
- CLIENT The Home Depot, Inc.
TRANSACTION Purchase by Soluciones Para Las Casas de Mexico, S. de R. L. de C.V., a subsidiary of The Home Depot, Inc., of substantially all of the assets of Madereria del Norte, S.A. de C.V., the third largest home improvement store in Mexico
VALUE/DATE NPA/March 2002
- CLIENT United Parcel Service, Inc.
TRANSACTION Sale of express division of Fritz Companies, Inc., a subsidiary of UPS to Tower Group International, Inc., a subsidiary of FedEx Corp.
VALUE/DATE NPA/March 2002
- CLIENT Mr. Arthur M. Blank
TRANSACTION Acquisition of all of the assets of Five Smiths, Inc., related to the Atlanta Falcons football team
VALUE/DATE \$545 Million/February 2002
- CLIENT SunTrust Banks, Inc.
TRANSACTION Purchase of Huntington Bancshares Inc.'s Florida franchise
VALUE/DATE \$705 Million/February 2002
- CLIENT HeadHunter.Net, Inc.
TRANSACTION Tender offer made by subsidiary of Career Holdings, Inc. for all of company's common stock
VALUE/DATE \$188 Million/January 2002
- CLIENT Kemira Specialty Chemicals, Inc.
TRANSACTION Purchase of outstanding stock of New South Chemicals, Inc.
VALUE/DATE \$140 Million/January 2002
- CLIENT MIM Corporation
TRANSACTION Acquisition of all of the stock of Vitality Home Infusion Services, Inc.
VALUE/DATE \$45 Million/January 2002
- CLIENT Cielo Wind Power, LLC
TRANSACTION Sale of partnership interests in Llano Estacado Wind, LP, 80-megawatt wind ranch, White Deer, TX
VALUE/DATE \$80 Million/December 2001
- CLIENT Lockheed Martin Corporation
TRANSACTION Acquisition of 100% of stock of OAO Corporation
VALUE/DATE NPA/December 2001
- CLIENT Prudential Securities
TRANSACTION Representation of financial advisor to Microtune, Inc., in its acquisition of Transilica, Inc.
VALUE/DATE \$155 Million/December 2001
- CLIENT Serologicals Corporation
TRANSACTION Merger with Serocor Incorporated
VALUE/DATE \$45 Million/December 2001

CLIENT The Coca-Cola Company
TRANSACTION Tender offer for common stock of Odwalla, Inc.
VALUE/DATE \$192.5 Million/December 2001

CLIENT GE Industrial Systems
TRANSACTION Acquisition of a division of Spirent plc
VALUE/DATE \$220 Million/November 2001

CLIENT The Home Depot, Inc.
TRANSACTION Purchase of assets of Your Other Warehouse
VALUE/DATE NPA/November 2001

CLIENT GE Capital Real Estate
TRANSACTION Forming of joint venture with Kimco Retail Opportunity Portfolio, L.L.C.
VALUE/DATE NPA/October 2001

CLIENT Georgia-Pacific Corporation
TRANSACTION Sale of Timber Group to Plum Creek Realty Company
VALUE/DATE \$4.1 Billion/October 2001

CLIENT The Coca-Cola Company
TRANSACTION Acquisition of the bottling facility and beverages business of Cadbury Schweppes plc, Zimbabwe
VALUE/DATE NPA/October 2001

CLIENT The Coca-Cola Company
TRANSACTION Purchase of Northern Neck Coca-Cola Bottling Company's assets
VALUE/DATE \$1.8 Million/September 2001

CLIENT The Prudential Insurance Company of America
TRANSACTION Acquisition of outstanding capital stock of CitiCapital Relocation, Inc. and Corporate America Realty, Inc.
VALUE/DATE NPA/September 2001

CLIENT ChoicePoint Inc.
TRANSACTION Sale of stock of Osborn Group, Inc., a wholly owned subsidiary to LabOne, Inc.
VALUE/DATE \$50 Million/August 2001

CLIENT First Islamic Investment Bank, E.C.
TRANSACTION Acquisition of 61% of the outstanding shares of capital stock of Cirrus Industries, Inc.
VALUE/DATE \$77.5 Million/August 2001

CLIENT Georgia-Pacific Corporation
TRANSACTION Acquisition of four pulp & paper mills from Georgia-Pacific Corporation by Domtar Inc.
VALUE/DATE \$1.65 Billion/August 2001

CLIENT The Coca-Cola Company
TRANSACTION Purchase of assets of RocketCash Corporation
VALUE/DATE NPA/August 2001

CLIENT United Parcel Service, Inc.
TRANSACTION Acquisition of First International Bancorp, Inc.
VALUE/DATE \$60 Million/August 2001

CLIENT GE Power Systems
TRANSACTION Acquisition of IMV Invertomatic (Switzerland)
VALUE/DATE NPA/July 2001

CLIENT GE Transportation Systems
TRANSACTION Purchase of the locomotive service contract and aftermarket businesses from Westinghouse Air Brake Technologies Corp.
VALUE/DATE \$240 Million/July 2001

CLIENT Lockheed Martin Corporation
TRANSACTION Sale of COMSAT Products division to ViaSat, Inc.
VALUE/DATE NPA/July 2001

CLIENT Universal Compression Holdings, Inc.
TRANSACTION Acquisition of KCI Compression Company, L.P.
VALUE/DATE \$104 Million/July 2001

CLIENT Dow Chemical Corporation
TRANSACTION Purchase of the assets of the global agrochemical business of Rohm & Haas
VALUE/DATE \$1 Billion/June 2001

CLIENT Internet Security Systems
TRANSACTION Acquisition of Network ICE Corporation
VALUE/DATE \$195 Million/June 2001

CLIENT The Home Depot, Inc.
TRANSACTION Purchase of 100% of the equity interest of Soluciones Para Las Casas de Mexico S.R.L. and purchase of additional store site in Nuevo Leon, Mexico
VALUE/DATE NPA/June 2001

CLIENT First Islamic Investment Bank, E.C.
TRANSACTION Acquisition of 100% of the outstanding shares of capital stock and outstanding convertible securities of The Potomac Group, Inc.
VALUE/DATE \$150 Million/June 2001

CLIENT The Prudential Insurance Company
TRANSACTION Joint Venture formed by Prudential, AIG and Kemper to create

web portal for risk-related products
VALUE/DATE NPA/May 2001

CLIENT United Parcel Service, Inc.
TRANSACTION Acquisition of Fritz Companies, Inc.
VALUE/DATE \$450 Million/May 2001

CLIENT The Dow Chemical Company
TRANSACTION Asset purchase of General Latex and Chemical Corporation by Textile Rubber & Chemical Company
VALUE/DATE NPA/April 2001

CLIENT The Halstead Property Company
TRANSACTION Acquisition by BHS Halstead, LLC of The Halstead Property Company's rights to all assets used in or necessary for the operation of its real estate sales and leasing brokerage firm
VALUE/DATE NPA/April 2001

CLIENT United Parcel Service, Inc.
TRANSACTION Purchase of all of the assets of Mail Boxes Etc.
VALUE/DATE \$185 Million/April 2001

CLIENT SunTrust Banks, Inc.
TRANSACTION Acquisition of common stock of AMA Holdings, Inc.
VALUE/DATE NPA/March 2001

CLIENT Turner Broadcasting System, Inc.
TRANSACTION Sale of assets by World Championship Wrestling, Inc., a wholly owned subsidiary of TBS, World Wrestling Federation Entertainment, Inc.
VALUE/DATE NPA/March 2001

CLIENT GE Power Systems
TRANSACTION Acquisition of all common stock of MK Engineering, Inc.
VALUE/DATE \$8 Million/January 2001

CLIENT SAGA Systems, Inc.
TRANSACTION Sale to Software AG
VALUE/DATE \$320 Million/February 2001

CLIENT United Parcel Service, Inc.
TRANSACTION Acquisition of all common stock of Mail2000, Inc.
VALUE/DATE NPA/February 2001

CLIENT Lanier Worldwide, Inc.
TRANSACTION Acquisition by Ricoh Company Ltd. through a friendly cash tender offer
VALUE/DATE \$911 Million/January 2001 **MA**