

Pittsburgh Business Times - April 26, 2010
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Friday, April 23, 2010

Reed Smith group helps clients buy assets of failed banks

Pittsburgh Business Times - by [Patty Tascarella](#)

Downtown-based **Reed Smith LLP**, Pittsburgh's second-largest law firm, has started a group to work with clients looking to acquire assets of failed banks from the **Federal Deposit Insurance Group**.

Some \$38 billion in assets is under receivership at the FDIC, which is auctioning these off to the highest bidders.

The process can be complicated. There are various qualifications for buyers, and the assets include loans and real estate properties that may be difficult to sell.

Still, the volume is likely to rise: Last year, around 140 banks failed, but by mid-April 2010, there were already 42 failures. And even when another bank acquires a failed bank from the FDIC, it "might not have taken all of the assets," said Michael Bleier, a Reed Smith partner based in Pittsburgh who is leading the firm's new group.

"They're mixed assets — some are performing, many are not," Bleier continued. "If you buy a bank, they might have assets you're not interested in."

Bleier is working with a core group of five lawyers, but can tap another 12 specializing in financial regulatory services as needed to prepare clients for how the FDIC handles sales and what steps they need to take in order to pursue opportunities.

"What's happened is fairly unique but plays right to Michael's skill set," said Greg Jordan, Reed Smith Global Managing Partner. "The key is to be able to navigate the bank regulatory work, and Michael is one of the national experts in that area."

Bleier had been general counsel of **Mellon Financial Group** prior to joining Reed Smith in 2007, and before that worked for the **Federal Reserve System**. He said the FDIC has developed various strategies to divest the assets, auctioning them piecemeal to the highest bidders.

"We have clients that are interested," said Bleier, who would not identify them. "We're helping them to do due-diligence on opportunities and do transaction work, structuring and documentation. Up to a point, the FDIC will put out bids. They might sort by portfolio."

He said the likeliest acquirers are not other banks. Instead, private equity investors, hedge funds and other financial services firms are looking to buy assets for their portfolios, particularly private investors focused on real estate and real estate investment trusts.

"I think the banks are in the midst of trying to get rid of assets," Bleier said. "But at the same time, they're looking for opportunities to grow their franchises, so they're looking for healthy assets — locations, branches, deposits."

Both **PNC Financial Services Group Inc.** Chairman and CEO Jim Rohr and **First Niagara Financial Group Inc.** Chairman and CEO John Koelmel have said they are regularly approached by the FDIC with opportunities they reject. But both also believe bank failures will escalate this year.

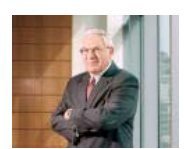
James Bauerle, director of legal and business services at Downtown-based **Keevican Weiss Bauerle & Hirsch LLC**, which also has an investment banking ancillary business, said he has represented California-based investor groups that have successfully acquired asset pools auctioned by the FDIC, "including assets located in Pennsylvania. Other investor clients from western Pennsylvania are acquiring assets in Sun Belt states, where the majority of assets being auctioned are located."

Bauerle, who would not identify individual clients, believes the best opportunities are in commercial real estate, such as hotels or office buildings.

"Experienced real estate investors can reposition the assets and work to improve cash flows, which makes the assets' value rise," Bauerle said. "In rare cases, when the location is especially good, the properties can be redeveloped for other uses."

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Michael Bleier, Reed Smith partner based in Pittsburgh, is leading a new group formed by the firm to assist clients in purchasing assets of failed banks.

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