

THE 2006 ALPHA AWARDS™

Land of Opportunity

The \$1.3 trillion-plus hedge fund industry has been a bonanza for accountants, administrators, lawyers, prime brokers and technology providers. Our second annual Alpha Awards reveal which firms deliver the best service.

By Imogen Rose-Smith

TOP ONSHORE LAW FIRMS

Rank 2006	2005*	Firm
1	2	SIDLEY AUSTIN
2	—	SHARTSIS FRIESE
3	1	SEWARD & KISSEL
4	—	KLEINBERG, KAPLAN, WOLFF & COHEN
5	—	KATTEN MUCHIN ROSENMAN
6	—	DECHERT
7	—	TANNENBAUM HELPERN SYRACUSE & HIRSCHTRITT
8	4	SCHULTE ROTH & ZABEL
9	3	AKIN GUMP STRAUSS HAUER & FELD

* Rank is for combined law firms category.

ALPHA AWARDS™ LAW FIRMS

In June a partner with Chicago-based law firm Sidley Austin testified before the Senate Judiciary Committee on the subject of hedge funds and short selling. Earlier in the year another Sidley Austin lawyer was in a New York bankruptcy court on behalf of his client, Rogers Raw Materials Fund, fighting to extract \$362 million in unsecured assets trapped as a result of the collapse of futures brokerage Refco. This summer partners at San Francisco law firm Shartsis Friese penned letters to the U.S. Securities and Exchange Commission asking the agency to clarify its position on hedge fund regulation, after the U.S. Court of Appeals for the District of Columbia Circuit overturned hedge fund registration.

The work of a hedge fund attorney has changed dramatically during the past two decades. John Broadhurst, who joined Shartsis Friese in 1978 and helped set up its hedge fund practice, says in the early days legal advice was mostly limited to fund formation. Today, he estimates that only 15 percent of his firm's business involves startups.

"As the industry has grown and managers have expanded into new strategies, the legal services they need have become more labor-intensive," says Broadhurst. Michael Schmidtberger, a partner with Sidley Austin, agrees. "We do our share of start-ups, but a lot of what we do is related to the day-to-day operations of hedge funds," he says.

Sidley Austin and Shartsis Friese are first and second, respectively, among onshore law firms in this year's Alpha Awards™ ranking of the top hedge fund service providers. They edge out last year's top overall law firm, Seward & Kissel, in what was the closest voting among all the categories polled. No. 3 Seward & Kissel, which is renowned for

having helped Alfred Winslow Jones set up the first hedge fund partnership, in 1949, is probably second only to No. 8 Schulte Roth & Zabel in terms of the number of hedge fund clients it serves.

Top-ranked Sidley Austin takes a broad approach to advising hedge funds. Since its 2001 merger with New York-based Brown & Wood, Sidley Austin has had a large public fund practice. The firm's 70-lawyer investment services group works with mutual funds, commodity trading advisers, real estate investment trusts and private equity firms, in addition to hedge funds.

Sidley Austin receives outstanding marks from clients when it comes to regulatory and compliance issues, enabling the firm to edge out Shartsis Friese for the overall prize despite the latter's No. 1 finish in client service, document preparation and hedge fund expertise.

New York-based partner Schmidtberger, who is co-head of Sidley Austin's hedge fund practice with William Kerr in Chicago, says his firm has been actively keeping clients up to date on SEC registration. "The biggest factor influencing the hedge fund business during the past 18 months has been the SEC registration rule," he says. Like many law firms, Sidley Austin helped clients meet the February 2006 deadline for SEC registration and, now that the rule has been overturned, is advising them on whether to stay registered. "I think a fair number of hedge fund advisers will elect to remain registered to be more attractive to institutional investors," says Schmidtberger.

No. 2 Shartsis Friese is one of several small law firms that stand out for their hedge fund business. Despite having just 53 lawyers, including 13 in its hedge fund practice, Shartsis Friese is the West Coast's equivalent of market

share leaders Seward & Kissel and Schulte Roth in the East, representing more than half the hedge funds in California, estimates partner Broadhurst. He says smaller shops like his were willing to work with hedge funds early, when big firms ignored them because they didn't generate enough fees.

"The work tended to be a lot of fund formation and regulatory compliance," Broadhurst explains. "A huge law firm wasn't interested in a \$50,000 one-off project. They wanted clients that were doing \$50,000 a month."

As hedge funds have started needing more services — from advice with activism strategies to assistance with SEC registration to private equity transactions or succession issues — the business has become increasingly lucrative and spawned greater competition. Even huge global corporate law firms such as Skadden, Arps, Slate, Meagher & Flom, which has more than 1,750 attorneys, now have hedge fund practices. Although Skadden Arps doesn't have the minimum number of client votes necessary to appear in our overall onshore law firm ranking, it is No. 4 among voters in the Hedge Fund 100, our list of the 100 biggest hedge fund firms in the world (see box, page 38).

Schulte Roth's drop from No. 4 last year to No. 8 in the overall ranking may be in part a reflection of its success. The firm represents more than 1,500 hedge fund, private equity fund and offshore fund clients. "They are often extremely busy," says Nancy Havens, founder and principal of Havens Advisors, a \$220 million, New York-based, event-driven and merger-arbitrage hedge fund. Still, she adds that Schulte Roth has impressed her: "They always give me good advice; they have such vast experience."

ALPHA AWARDS™ TOP FIRMS BY ASPECT OF SERVICE

As part of the Alpha Awards™ survey, we asked hedge funds to rate their providers on various aspects of service. Here are the top-rated firms in each of those categories. All but fund-of-hedge-fund services and algorithmic trading were used to determine the overall winners.

ACCOUNTING		Fund-of-hedge-funds services		LAW — ONSHORE		Capital introduction		
Rank	Audit	Rank		Rank	Client service	Rank		
1	BDO Seidman	1	Bisys Alternative Investment Services	1	Shartsis Friese	1	Morgan Stanley	
2	Rothstein Kass & Co.	2	SEI Global Fund Services	2	Sidley Austin	2	Goldman, Sachs & Co.	
3	Deloitte Touche Tohmatsu	3	SS&C Technologies	3	Seward & Kissel	3	Deutsche Bank	
4	Eisner	4	HSBC Alternative Fund Services	4	Tannenbaum Helpern Syracuse & Hirschrift	4	UBS	
5	Grant Thornton	5	Fortis Prime Fund Solutions	5	Schulte Roth & Zabel	5	Banc of America Securities	
Rank	Client service	Rank	Middle-office services	Document preparation & fund formation		Rank	Client service	
1	BDO Seidman	1	Admiral Administration	1	Shartsis Friese	1	Morgan Stanley	
2	Rothstein Kass & Co.	2	Morgan Stanley	2	Sidley Austin	2	Banc of America Securities	
3	Eisner	3	Goldman, Sachs & Co.	3	Seward & Kissel	3	Goldman, Sachs & Co.	
4	Deloitte Touche Tohmatsu	4	Price Meadows	4	Kleinberg, Kaplan, Wolff & Cohen	4	Credit Suisse	
5	Goldstein Golub Kessler	5	International Fund Services	5	Tannenbaum Helpern Syracuse & Hirschrift	5	UBS	
Rank	Hedge fund expertise	Rank	Transfer agency	Hedge fund expertise		Rank	Financing	
1	BDO Seidman	1	Goldman, Sachs & Co.	1	Shartsis Friese	1	Morgan Stanley	
2	Rothstein Kass & Co.	2	International Fund Services	2	Sidley Austin	2	Goldman, Sachs & Co.	
3	Eisner	3	Admiral Administration	3	Seward & Kissel	3	Merrill Lynch	
4	Goldstein Golub Kessler	4	Morgan Stanley	4	Dechert	4	Credit Suisse	
5	Deloitte Touche Tohmatsu	5	Price Meadows	5	Katten Muchin Rosenman	5	Lehman Brothers	
Rank	Regulatory & compliance	LAW — OFFSHORE		Regulatory & compliance		Rank	Operations	
1	BDO Seidman	Rank	Client service	1	Sidley Austin	1	Banc of America Securities	
2	Rothstein Kass & Co.	1	Maples and Calder	2	Seward & Kissel	2	Morgan Stanley	
3	Deloitte Touche Tohmatsu	2	Ogier	3	Kleinberg, Kaplan, Wolff & Cohen	3	Goldman, Sachs & Co.	
4	Goldstein Golub Kessler	3	Walkers	4	Shartsis Friese	4	Credit Suisse	
5	Eisner	Document preparation & fund formation		5	Katten Muchin Rosenman	5	UBS	
Rank	Tax	Rank	Document preparation & fund formation	PRIME BROKERAGE		Rank	Reporting & reporting technology	
1	BDO Seidman	1	Maples and Calder	Algorithmic trading		1	Banc of America Securities	
2	Rothstein Kass & Co.	2	Ogier	1	Lehman Brothers	2	Morgan Stanley	
3	Eisner	3	Walkers	2	Goldman, Sachs & Co.	3	Goldman, Sachs & Co.	
4	Deloitte Touche Tohmatsu	Hedge fund expertise		3	Credit Suisse	4	UBS	
5	Grant	1	Ogier	4	Morgan Stanley	5	Citigroup	
ADMINISTRATION		2	Maples and Calder	5	Banc of America Securities	Rank	Securities lending	
Rank	Client service	3	Walkers	Business consulting		1	Goldman, Sachs & Co.	
1	Goldman, Sachs & Co.	Rank	Regulatory & compliance	1	Morgan Stanley	2	Morgan Stanley	
2	Morgan Stanley	1	Ogier	2	Goldman, Sachs & Co.	3	Lehman Brothers	
3	Price Meadows	2	Maples and Calder	3	Banc of America Securities	4	Merrill Lynch	
4	Admiral Administration	3	Walkers	4	UBS	5	Credit Suisse	
5	International Fund Services	Fund accounting		5	Bear, Stearns & Co.	Trade execution & trading technology		
Rank	Fund accounting	1	Goldman, Sachs & Co.	Rank		1	Goldman, Sachs & Co.	
1	Goldman, Sachs & Co.	2	International Fund Services	1		Morgan Stanley	2	Morgan Stanley
2	International Fund Services	3	Admiral Administration	2		Credit Suisse	3	Credit Suisse
3	Admiral Administration	4	Price Meadows	3		Banc of America Securities	4	Banc of America Securities
4	Price Meadows	5	Morgan Stanley	4		Lehman Brothers	5	Lehman Brothers
5	Morgan Stanley			5				