

# FFAAC E S OF THE MIDDLE MARKET

FINANCE MAY HAVE BEEN the less lucrative of Barbara Ginnader's career choices. The Harvard M.B.A. ('82) recalls turning down an early job offer from **Intel Corp.** "If I had taken it, I would probably be retired today," the **Boston Ventures** partner says. "But I like the finance side of things."

Those sentiments are often repeated by the people on the following pages. (Sometimes they are shortened to "I'm a deal junkie.") This collection of buyout executives, investment bankers and a private equity attorney all seem certain that they have the best jobs on earth.

And they should know, what with their previous experiences giving seminars for political exiles (Patricia Cloberty), working to rebuild Los Angeles (Robert Taylor) and selling tickets at a Saratoga race track (David Deutsch). The group ar-

gues that dealmaking broadens the mind—"Before I went into investment banking, I think the farthest west I'd ever been was Giants Stadium," says Rich Morgner, now managing director and head of M&A at **Chanin Capital Partners**—and provides an adrenaline rush like no other.

But more remarkable is how this 11, many with experience on multibillion-dollar deals, express dedication to the middle market. Not only are there opportunities—**Morgan Joseph's** Fred Joseph insists there are 4,000 publicly traded companies whose middling size means they are often ignored by Wall Street—but there's a chance to do creative work on a more personal level. As Chanin's Morgner puts it, "Boutique to me is not a negative word. Boutique, to me, means small enough to be close to your clients." ■

—Alison Rogers



# Take that, Ralph Lauren

David Deutsch of David N. Deutsch & Co. LLC

**D**avid Deutsch, the founder and president of New York investment bank **David N. Deutsch & Co. LLC**, recently lunched with E. John Rosenwald Jr., vice chairman of **Bear, Stearns & Co.**, in the firm's executive dining room. Deutsch, it should be pointed out, left Bear Stearns more than a decade ago.

His return, if only for lunch, illustrates the ties that can persist between former colleagues and the importance Deutsch places on maintaining those relationships. It's the legacy of a 22-year Wall Street career. Deutsch, for instance, left Drexel Burnham Lambert nearly 20 years ago, but he still talks with former Drexel colleagues Ted Virtue of the newly-formed private equity group **MidOcean Partners** and Frederick Joseph at investment bank **Morgan Joseph & Co.** (see page 26.)

Relationships matter in the middle market, the argument goes, because referrals are so important. Deutsch notes that the owners of mid-sized companies might only need to execute one transaction over a lifetime. "We're known for the breadth of our thinking and experience and advice to our clients," he says. "We're as much diagnosticians as we are dealmakers."

The climax of Deutsch's annual networking comes every August, when his firm sponsors a polo cup in his hometown, Saratoga Springs, N.Y. (Invitation excerpt: "Including some of the world's best polo players; don't worry, we'll explain it all to you.")

The invitees aren't just clients: Deutsch points out he calls attorneys, corporate executives, private equity sponsors, bankers and old high school teachers. "It's a celebration of the growing community of this firm. It's as much about fun as it is about business."

Not bad for a guy who sold tickets to races during summers in high school. Deutsch had begun his finance career in 1981 trading bonds at Lehman Brothers Kuhn Loeb. When his parents asked for advice about selling a small arcade business, he recalls, "I didn't have a clue. I knew how every utility bond traded, but I didn't know a thing about business."

He left Lehman in 1982 and enrolled at Columbia University's Graduate School of Business, securing his M.B.A. in 1984. Shortly afterward, he landed a coveted associate slot at **Drexel Burnham** in New York. (Deutsch flew to Drexel's West Coast office and worked for Michael Milken from time to time.) In 1986 he left Drexel and joined Bear Stearns, becoming a vice president in its corporate finance department. He insists that at Bear Stearns he coined the term "leveraged finance," although people didn't

latch on to using it right away.

As a dearth of public debt began to hit Wall Street, Deutsch left Bear Stearns in 1990 for the security of **Congress Financial Corp.**, an asset-based lender. His colleagues at Bear Stearns, he says, viewed the move with disdain, noting that it would put him out of the Wall Street limelight. "Friends of mine in investment banking thought I'd lost my mind," Deutsch says.

Deutsch convinced his superiors at Congress they could expand their business if they started supplying asset-based debt financing to LBO firms. He got approval to start pitching the product, and Congress broke into the private equity finance business.

Then the entrepreneurial bug bit, and he left Congress to establish **DND & Co.** in 1993. The investment banking boutique provides merger and acquisition advisory services including valuation, divestiture and financing counsel. The firm targets businesses that generate annual revenues of \$10 million to \$2 billion. (Its sweet spot is companies with sales of \$20 million to \$250 million.)

The 44-year-old banker concedes that he faces an



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array of middle-market competitors, including larger firms with trading platforms, such as **Jefferies & Co.** and newer entrants such as **Morgan Joseph & Co.**, but he isn't fazed. "We think the world has plenty of underwriting and distribution capacity and that our clients have plenty of information and analytical capability of their own. What they really need is an experienced adviser and advocate to guide them through it all."

But as insurance he trademarked the term "leveraged finance" in 1994. Now with a staff of five, **DND & Co.** has counseled companies from **La Petite Academy Inc.** to **NationsBank** to **Schott Corp.** to private equity groups such as **J.P. Morgan Partners** on its acquisition of **MedQuest** in August 2002. Relationships matter. ■ —K.H.