

## **CITADEL LAUNCHES INVESTMENT BANK**

by Michael Rudnick

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Citadel Investment Group LLC is making a foray into investment banking with the help of three former Merrill Lynch & Co. veterans.

The Chicago firm on Friday announced the launch of its investment banking division, run by Todd Kaplan, who joined Citadel in March and was most recently senior vice president and chairman of global leveraged finance, global markets and investment banking at Merrill.

A Citadel spokeswoman, who said the investment banking business is "the latest expansion of our successful Citadel Securities platform," deferred further comment to a press release.

Kaplan becomes head of investment banking at Citadel. Joining him are Carl Mayer, who arrived in April as head of leveraged finance at Citadel, and Brian Maier, who arrived last month as head of industry groups. Mayer was formerly Merrill's head of leveraged finance capital markets, and Maier, group head of consumer industries and equity private placements. All three report to Rohit D'Souza, CEO of Citadel Securities Inc. and Merrill's former global head of equities and alternative investments.

"By bringing Todd [Kaplan] to Citadel Securities to head up our banking effort, we are executing our strategy of developing a leading, fully integrated, client-facing franchise across investment banking, institutional sales and trading," D'Souza said.

The new investment banking division will initially offer strategic and merger and acquisition advisory services and in the coming months will expand into "soup-to-nuts" investment banking including securities underwriting and capital raising, said a source. Citadel has not yet determined whether it will offer research services or investment management, the source added.

Citadel has yet to establish parameters for the size of the deals on which the investment banking division will advise, the source said.

The firm is meeting with prospective advisory clients and is hiring an advisory team to support the three bankers, the source said.

The investment bank will provide advisory services across many industry sectors. While at Merrill, Maier had covered deals across consumer, retail, media, education, real estate, hotel, gaming, travel and leisure sectors. He had advised private investor Trian Fund Management LP on its April 2008

\$2.34 billion acquisition of Wendy's International Inc.

**"From the perspective of capabilities and infrastructure, it is only natural that a hedge fund like Citadel would also see opportunities in the market to capture sales, trading and investment banking revenue, thus diversifying the firm well beyond an absolute-return investment manager," said Robert Olman, president of Alpha**

**Search Advisory Partners, a Roslyn, N.Y., hedge fund advisory and executive search firm.**

The new division is Citadel's latest but by no means first step away from hedge funds. Citadel under its Citadel Securities division in 2003 launched a "market-making" and high-frequency tactical trading fund, and in 2007 launched a hedge fund administration business, which provides back-office solutions for Citadel hedge funds and outside funds.

The bank launch is only one of Citadel's many moves this year to break new ground. The firm is weighing the launch of its first hedge fund investing in mortgage-related securities, a new equities fund and a convertible bond fund. In early March, it also began marketing a new global macro hedge fund to potential investors, with a \$2 billion target.

Citadel's banking foray follows a tumultuous year for its flagship funds Citadel Wellington LLC and Kensington Global Strategies Fund Ltd., which each declined about 55% in 2008 and now have a combined \$8 billion in managed assets. The funds were up about 11% year to date as of the end of March, according to the source.

Both funds are working through \$1.2 billion in redemption requests made at the end of 2008. Citadel told investors a month ago that it plans to satisfy a portion of these redemptions quarterly.