



DETERMINATION OF MERGER NOTIFICATION M/11/035 -

Graphite / Harbourmaster

Section 21 of the Competition Act 2002

Proposed acquisition by Graphite Holdings LLC of Harbourmaster Capital (Holdings) Limited.

Dated 15 November 2011

Introduction

1. On 20 October 2011, in accordance with section 18 of the Competition Act 2002 ("the Act"), the Competition Authority ("the Authority") received a notification of a proposed transaction whereby Graphite Holdings LLC ("Graphite"), would acquire the entire issued capital of Harbourmaster Capital (Holdings) Limited ("Harbourmaster").

The Undertakings Involved

Blackstone/GSO Capital Partners/Graphite

2. Graphite is a newly formed and wholly-owned indirect subsidiary of the Blackstone Group L.P. ("Blackstone"). Blackstone is a global asset manager and provider of financial advisory services.
3. For the year ended 31 December 2010, Blackstone worldwide turnover was approximately €[...] million of which approximately €[...] million was generated in the State. Globally, as of 30 September 2011, Blackstone had approximately €116.8 billion¹ of assets under management, none of which was managed from a location within the State.
4. Blackstone's credit-oriented business, described below, operates principally through its wholly-owned subsidiary GSO Capital Partners LP ("GSO"). GSO specialises in collateralised loan obligation vehicles and credit-oriented funds, which include leveraged loans, mezzanine, and rescue financing credit strategies.²
5. GSO's activities in Ireland are limited to providing investment management services, through its wholly-owned subsidiary GSO Capital Partners International LLP,³ to Carador Income Fund plc.⁴

¹ Using the ECB Reference exchange rate for 30 September 2001 of €1 = US\$1.3503.

² Other Blackstone activities include private equity funds, real estate funds, hedge funds, separately managed accounts and publicly-traded closed-ended mutual funds. Blackstone also provides a wide range of financial advisory services, including advice on mergers and acquisitions, restructuring and reorganisation and fund placement services.

³ GSO Capital Partners International LLP is headquartered in London UK.

⁴ See <<http://www.carador.co.uk>>. [...].

6. For the year ended 31 December 2010, GSO worldwide turnover was approximately €[...] million of which approximately €[...] million⁵ was generated in the State. Globally GSO had approximately €25.0 billion⁶ of assets under management as of 30 September 2011, [...].⁷

Harbourmaster

7. Harbourmaster is involved in asset management focusing on European senior secured loans, and in particular collateralised loan obligation vehicles.
8. Harbourmaster has a wholly-owned Jersey based subsidiary, called Harbourmaster Capital Limited, and a wholly-owned Irish based subsidiary, called Harbourmaster Capital Management Limited.
9. Globally, Harbourmaster had approximately €8.0 billion of assets under management as of 30 September 2011, of which €[...] million was managed from a location within the State.
10. For the year ended 31 December 2010 Harbourmaster's worldwide turnover was €[...] million of which €[...] million was generated in Ireland.

Third Party Submissions

11. No submissions were received.

Rationale for Proposed Transaction

12. Following the proposed transaction, Graphite and Harbourmaster will be part of Blackstone's credit-oriented business, which is comprised principally of GSO. The parties submit that the proposed transaction will increase the scale of GSO's European business while also allowing Harbourmaster investors to realise the current value of their present investment.

Analysis

13. Within the State, there is a horizontal overlap to the extent that both Graphite and Harbourmaster are involved in asset management services. However, the overlap is *de minimis* given:
 - (i) The low levels of turnover of both GSO and Harbourmaster in respect of asset management services in the State. Within the State, turnover for each of GSO and Harbourmaster is less than €[...] million; and

⁵ Using the ECB average annual exchange rate of €1=US\$1.3257. These figures exclude turnover attributable to the revenue earned by GSO portfolio companies.

⁶ Using the ECB Reference exchange rate for 30 September 2001 of €1 = US\$1.3503.

⁷ GSO turnover and assets under management are part of, and not additional to, the Blackstone figures above.

- (ii) The small market shares of GSO and Harbourmaster. The parties estimate the combined market share, for GSO and Harbourmaster, is less than [0-5]% in the State, within Europe and globally.
14. Blackstone, rather than GSO, might be considered the appropriate acquiring entity for evaluating the proposed transaction. However, in that case the overlap would still be *de minimis*, given Harbourmaster's small presence in the State, when measured by turnover.⁸ Furthermore, since Blackstone's credit-oriented business operates principally GSO Capital Partners LP then the extent of the overlap, in terms of the activities of the parties, would remain the same.
15. As submitted by the parties, there are alternative providers of asset management services, including credit-oriented services, available to customers within the State. Other providers include for example, Bank of New York Mellon, Blackrock Investment Management, Credit Suisse Investment Management, JP Morgan, and Merrion Capital Group.
16. In light of the above, the Authority considers that the proposed transaction will not raise competition concerns in any market for goods or services in the State.

⁸ As noted above, for the year ended 31 December 2010 and within the State Blackstone's turnover was €[...] million and Harbourmaster's turnover was €[...] million.

DETERMINATION

The Competition Authority, in accordance with section 21(2)(a) of the Competition Act 2002, has determined that, in its opinion, the result of the proposed transaction whereby Graphite Holdings LLC would acquire the entire issued capital of Harbourmaster Capital (Holdings) Limited will not be to substantially lessen competition in any market for goods or services in the State and, accordingly, that the acquisition may be put into effect.

For the Competition Authority

Noreen Mackey
Member of the Competition Authority
Director, Mergers Division