

Dealmakers Q&A: Latham & Watkins' Ian Schuman

Law360, New York (September 19, 2014, 11:00 AM ET) --

Ian D. Schuman is a partner in the New York office of Latham & Watkins LLP, where he is deputy office managing partner. Schuman is a member of the firm's corporate department and capital markets and private equity finance practices. He represents both issuers and underwriters in a variety of capital market transactions in a broad array of industries, including initial public offerings, high-yield debt offerings, public and private equity offerings, debt exchange offers, and tender offers and consent solicitations.

Schuman also represents companies with respect to general corporate and securities matters, including corporate governance issues, periodic and current filings with the U.S. Securities and Exchange Commission, and the satisfaction of requirements set forth by the New York Stock Exchange and Nasdaq.

As a participant in Law360's Q&A series with dealmaking movers and shakers, Ian Schuman shared his perspective on five questions:



Ian D. Schuman

Q: What's the most challenging deal you've worked on, and why?

A: Any deal that requires work on a sunny, summer weekend ... Of course, taking conference calls while riding a chairlift up the slopes is fairly challenging as well. Given the speed to market of many capital markets transactions these days, being available all the time truly adds new meaning to the notion that you have to love what you do.

That said, I do love what I do and it's difficult to highlight just one deal as the most challenging. Two years ago, I represented the banks financing Acco Brand's acquisition of MeadWestvaco's Consumer & Office Products division. The deal was structured as a "reverse morris trust," whereby for certain tax efficiencies, the target was spun out of MeadWestvaco public company, and then acquired by Acco with stock. Although the consideration for the acquisition was stock, the value inherent in the deal was predicated on a series of debt financings, including a debt-for-debt exchange that allowed the seller to receive a considerable amount of the enterprise value of the target tax-free.

The challenging nature of this deal was two-fold: (1) this was the first similarly structured deal where we were able to create a fully committed financing structure, including the debt-of-debt exchange, that

gave certainty of financing to the buyer and seller, and still complied with the IRS regs, and (2) it required me to learn and be fluent in a lot of tax law — that I previously thought I could leave to the tax geniuses in the firm! Although I was able to rely heavily on the counsel of my tax partners, because the form of the financing was being invented in real time, it was essential that I understand all of the issues and obstacles in order to come up with workable solutions. Oftentimes, these brainstorming moments happened in the middle of the night while most people were doing strange things like getting a good night's sleep. This deal was ultimately recognized by The Financial Times as one of the innovative deals of the year.

Although most deals have challenging aspects to them, this transaction in particular highlights how important it is to pay attention to and learn all aspects of a deal, even with respect to issues and considerations outside of your core competency. It's easy to stay attached to your comfort zone and rely on the help of your colleagues and other deal parties for other aspects of a matter. It certainly reduces the stress levels. However, to truly differentiate yourself and bring forth the most value, pushing yourself to continue to learn and manage the full list of issues, while knowing when to bring expert resources to bear, is absolutely a must.

Q: What aspects of regulation affecting your practice are in need of reform, and why?

A: I suppose if a law firm could go public, that could be nice ...

Frankly, the capital markets industry just recently went through a considerable amount of reform, highlighted by the recent JOBS Act. Starting with the Securities Act reform in 2005, I believe that the SEC has done a nice job rationalizing certain parts of the securities offering process and making it easier for companies to access the capital markets. From block trades to high-yield debt offerings to the recent surge in initial public offerings, the level of activity and speed to market is in part the result of these recent reforms — and there is no question that companies and their stockholders are the primary beneficiaries.

On the other hand, many in the investment banking community (including a good percentage of our clients) are now faced with the uncertainty resulting from the sweeping new financial regulation under the Dodd-Frank Act, and in particular the Volcker Rule. There will undoubtedly be significant challenges for affected financial institutions in making determinations on how best to comply with the new rules. How these rules are applied and, maybe more importantly, how financial institutions react to them and their implementation, will be extremely critical in the upcoming years in determining the landscape of the capital markets community. In order to make sure that our capital markets remain healthy, with access to capital readily available, I think that clarity in the implementation of this financial regulation reform is key.

Q: What upcoming trends or under-the-radar areas of deal activity do you anticipate, and why?

A: Currently, activity levels are high across almost all areas of my capital markets practice. However, I think we will see even more M&A activity (and the corresponding financing work that accompanies these deals) in the upcoming months and years. On the one hand, low-cost debt financing still remains readily available and there is nothing to suggest that that is going to end any time soon. However, the logical competitor to the M&A market is the volume of IPOs being completed and the valuation that the public investors have been placing on these companies. There's a good chance that as the IPO cycles down, M&A activity will correspondingly increase. Also, in the years following the recession, many companies have built up sizable cash reserves on their balance sheet. To the extent that cash is not

returned to investors in the form of dividends or stock buybacks, one expected use is certainly increased acquisition activity.

Q: What advice would you give an aspiring dealmaker?

A: Number one, treat your spouse and your family as if they were your best client. After that, life gets pretty easy.

In terms of differentiating yourself, as mentioned above, do not shy away from the learning process and really getting to know all aspects of your deals. For example, in capital markets transactions, accounting and the presentation of financial statements is one of the most important parts of any deal. Although in many cases, it may be easier just to defer to the accountants and CFO, understanding how to read financial statements well and being able to identify the principles driving the presentation one way or the other will make you a star quickly. The financial statements inform the story that ends up being described on the page. Although you can't be an expert in everything, being fluent and understanding the issues and implications of every aspect of your deal will make you an invaluable resource. Your "personal brand" will certainly benefit accordingly.

It also goes without saying that any aspiring dealmaker needs to be on top of current events. In order to capitalize on opportunities, you need to know what's happening in the marketplace. Where are the trends, what might be the next red hot area of activity. It may sound like common sense, but keeping on top of the financial press and anticipating (as opposed to always reacting) trends is a considerable comparative advantage.

Q: Outside your firm, name a dealmaker who has impressed you, and tell us why.

A: During the course of representing Manchester United in their initial public offering, I had an opportunity to get to know members of the Glazer family, who are the principal owners of the company. Although clearly great dealmakers, I came away impressed with their ability to quickly understand and manage through the IPO process. Nothing is below their radar, there is nothing that they do not take the time to understand. This is something that I believe is a consistent trait among all great dealmakers. When approaching an opportunity, great dealmakers take the time to learn and get to know the process, the business and everything related to it. Although there is a heavy reliance on expert counsel from many sources, they are able to make their own decisions and perceive the associated value largely because they fully grasp all of the moving parts. This concept is just as applicable to dealmaking from a lawyer's perspective. In addition to being an expert at certain aspects of the law, it's important to keep learning, understand as much about a deal as you possibly can. And, of course, never assume you know it all.

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