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Q&A With Bilzin Sumberg's Bob Siegel

Law360, New York (December 02, 2009) -- Robert M. Siegel is a partner in the corporate and securities and restructuring and bankruptcy groups at Bilzin Sumberg Baena Price & Axelrod LLP. He concentrates his practice in commercial finance, securitizations, debt restructuring and loan workouts.

Siegel is experienced in all aspects of the Uniform Commercial Code, and in particular, secured transactions under Article 9. Formerly with a Wall Street-based law firm, he has been involved in complex financial transactions nationwide and abroad.

Q: What attracted you to your practice area?

A: My father was a CPA and the CFO of a company. From an early age I worked summers at his company in areas such as bookkeeping, accounts payable and billing. As an undergraduate, I majored in accounting and finance. For several years after graduation, I was a lending officer at a major regional bank specializing in corporate lending and asset based financing.

I always had an interest in the law. As a banker I enjoyed working with our counsel in the loan documentation and closing process. When I left banking to attend law school, I did not have the slightest doubt that I would be a corporate finance lawyer after graduation and, to that end, I took every possible finance related course that the law school offered.

I began my legal career with Stroock & Stroock & Lavan in Miami. I chose that firm because of its strong corporate finance group in Miami.

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

A: Having closed large deals throughout the United States for over 20 years, it is hard to choose one as being the most challenging; almost all large deals pose vexing issues. One deal does stand out, perhaps for the sheer number of challenges.

A few years ago I acted as lead finance counsel to a joint venture of three multibillion-dollar sponsors, known as LandSource Community Development LLC. The transaction involved the refinancing of the venture's credit facilities in connection with its acquisition of a substantial portion of approximately 35,000 acres of landholdings in five different states and the addition of a new joint venture partner.

The deal was challenging on multiple levels. By no means the largest deal I have handled, the refinancing credit facilities exceeded \$1.7 billion and any deal that size is complex simply for that reason. But this deal was challenging in a number of other respects. I supervised approximately 35 attorneys at Bilzin Sumberg and several local counsels.

The corporate structure of the venture consisted of approximately 35 subsidiaries and affiliates of the venture, each with its own land that constituted part of the collateral pool so that we had multiple borrowers and guarantors each pledging collateral for the loans. Further, the total amount of borrowings which could be outstanding under the credit facilities at any one time was tied to a complex borrowing base formula.

Another challenging aspect of this matter was the fact that there were three sponsors of LandSource, so in addition to challenging negotiations with lenders' counsel, I spent a significant amount of time building consensus among the three sponsors as to how to proceed on behalf of the venture.

Perhaps the most challenging aspect of this deal was getting lenders' counsel to understand that although we were dealing with a huge amount of real estate, our client was in the business of selling land it held as inventory; in other words, the credit facilities were financing business operations and as such this was a corporate finance deal rather than a real estate loan.

We also built in complex provisions for collateral releases, adding new parties and excluding certain entities and property from the collateral pool.

Q: What are the most challenging legal problems currently facing clients in your practice area?

A: One area that has created both practical and legal challenges occurs in large syndicated loan transactions. I have represented borrowers in credit facilities extended by literally hundreds of lenders.

It is an incredibly difficult and sometimes impossible task for borrowers in these situations to gain relief in workouts or obtain even routine amendments due to the elaborate voting requirements built into the loan agreements.

As a result, matters which ought to be resolved simply by consent are often required to be addressed in bankruptcy proceedings.

Q: Where do you see the next wave of activity in your practice area coming from?

A: Given the current economy, my practice area has been skewed toward workouts of troubled loans and financings in bankruptcy. Despite the well-publicized shortage of credit, I have observed that fully secured asset based credit facilities remain available where the collateral values are tied directly to the amount being borrowed.

For example, notwithstanding that the housing industry was particularly hard hit by this recession, I recently closed a new fully secured \$100 million asset-based credit facility extended to a group of affiliated companies in this distressed industry. Amazingly, there were two groups of lenders vigorously competing to be the group to extend the loan.

I think more than ever before lenders see the virtue in having collateral coverage rather than "air" if a loan goes south. I think the days of unsecured or partially secured loans, with or without heavy financial covenants, are over for the foreseeable future.

Q: Outside your own firm, name one lawyer who's impressed you and tell us why.

A: Larry Goldberg of Schulte Roth & Zabel LLP is a great lawyer whom I had the pleasure to work with a few years ago in a multibillion-dollar buyout of a finance company client. I was impressed by his persistent yet professional manner in negotiating difficult issues, and his attention to detail and ability to zero in on points that really mattered to our respective clients.

He demonstrated a philosophy that I have always thought is critical for a transactional lawyer: the focus of our work should be on helping our clients negotiate a business deal and properly document the deal, without getting bogged down on points that are not that important in the overall scheme of what our client is seeking to accomplish.

Q: What advice would you give to a young lawyer interested in getting into your practice area?

A: I pride myself on being a business lawyer. To me, that means I facilitate the business result my client wishes to achieve. To do that requires an understanding of the client's business and a general understanding of business and finance.

While I have practical business experience, I do not think that that is an absolute prerequisite for being a successful corporate finance lawyer. A young lawyer can be successful in my practice area by first obtaining a basic understanding of accounting and finance by attending the myriad seminars offered in these areas, and by working on transactions with more senior lawyers who are willing to explain the fundamentals of the documentation and the legal and business issues.

A young lawyer might also gain an understanding of the businesses of our clients by various means, such as reading annual reports, researching an industry through the

Internet, or, perhaps most importantly, by simply spending time with the client and listening to their business problems and objectives.