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A Law Firm Clearly Tuned To Its Clients' Radar

The Editor interviews R. Max Crane, Managing Partner, Sills Cummis & Gross P.C. Mr. Crane regularly counsels private and public companies and their executives on most aspects of law and business including corporate finance, mergers and acquisitions, securities and crisis management.

Editor: Please describe for our readers your practice area.

Crane: My practice area is corporate with an emphasis on M&A and corporate finance.

Editor: In what respects do you consider New Jersey friendly to business?

Crane: First of all, New Jersey has a number of incentive programs for relocating businesses to New Jersey that have a direct economic impact on our state. New Jersey also has a governor who comes from a financial background and understands the importance of business. We have a specialized agency in the NJEDA, which is responsible for bringing business into the state. New Jersey tries to put together programs and personnel that can make the state more attractive to business.

Editor: Are there any special tax incentives for business?

Crane: There are economic development bonds that are available through the New Jersey EDA. There's also a BEIP program that is available for companies that relocate with a certain number of employees. About to be completed is an Urban Transit Hub program that offers tax incentives to companies that locate in certain urban areas within proximity of train stations, which could number a dozen or more locations.

Editor: Are there aspects of New Jersey's legal landscape that make a law practice in this state attractive?

Crane: Absolutely. The current economic situation plays perfectly to the strengths of many New Jersey firms, my own included. For years even though we've operated in the shadow of some of the big New York Wall Street firms, we've held our own in terms of sharing clients and getting other clients. We haven't gotten as many of the big Wall Street bet-the-ranch financings or litigations, but we have been getting our share

of the other transactions that come out of New York. Because of the economy, the pressure on in-house counsel's internal and external legal budgets is such that, knowing full well the quality of the lawyers we and other New Jersey firms have, they are looking more closely at New Jersey lawyers as a way to address their financial and legal needs (whereas they might have gone to a name brand Wall Street New York firm before.) The strain on the economy and the financial pressure on companies play right into the New Jersey firms' sweet spot, because we have comparable lawyers – probably 80



R. Max Crane

Please email the interviewee at mcrane@sillscummis.com with questions about this interview.

percent of our lawyers are New York-admitted lawyers and New York-trained lawyers – and we provide the same level of service at a significant reduction in price to New York firms. Right now, there's a confluence of events – the quality of New Jersey lawyers, the attractive New Jersey prices, and the pressure on companies to maintain the quality of work but in a more price-efficient way – it's a perfect storm to the plus side for New Jersey firms.

Editor: What aspects of doing business in New Jersey would cause businesses to move to New Jersey?

Crane: The State has a highly educated labor force. There are a significant number of senior officers of corporations who reside in New Jersey, who prefer to live closer to their place of work than commute into New York or Philadelphia or DC. The cost of living, when compared to the cost of living in New York, is lower. From a business standpoint, whether it's your main operation or a significant part of your back-office operations, New Jersey provides the workforce, the location, and the economic incentives that are not available across the river. There is Newark, a great transportation hub and not just because of the airport, but also owing to the rail lines. Everything that goes between Washington and Boston stops in Newark. That's one of the advantages New Jersey and Newark in particular have had all these years.

Editor: Your firm has a fine reputation in counseling on matters of corporate finance, mergers and acquisitions and crisis management. What are some of the milestones you have accomplished for clients that have brought about this fine reputation?

Crane: There's the generic answer, which is: quality lawyers, hard work, and client service. Many of the lawyers here were trained either in-house or in Wall Street-type firms, so they have the same expectation of delivering services to those clients as those across the Hudson. Specifically Steven E. Gross, chair of the firm, has been able to carve out relationships with several overseas companies that are doing inbound domestic U.S. business. Among overseas companies that are interested in establishing a beach-head, making an acquisition or trying to

grow their market share, he has developed a reputation for client service just by doing it for 20 years. We have particular strengths in the M&A-bankruptcy work-out world, a world that's very active right now. In our firm, the bankruptcy department sits on the same floor as the corporate and finance department, which is beneficial now that the market has made it even more important to work together. Whether we are working on a formal bankruptcy, advising a potential creditor on bankruptcy options or advising a company on restructuring or similar type options, the fact that we share information and work closely together allows us to present a more complete service package to our clients, and that's certainly served us and our clients well over the years and particularly in this market.

Most recently, my colleague Andrew H. Sherman led a team that represented a fund that was a third-lien creditor in a bankruptcy, and through our bankruptcy-corporate-litigation guidance we were able to achieve a successful result: it ultimately became the owner of the company and has representatives currently sitting on the board, monitoring their investment. They thought they got a very good result at a comparably low price, particularly in a very difficult set of circumstances.

Editor: What are your thoughts about some of the aspects of TARP to cap executive pay (bonuses) in weak financial institutions? Do you have a better rule of thumb for compensating executives, such as a pay for performance formula?

Crane: The taxpayers, particularly as it concerns weaker institutions, are entitled to some accountability in this area. There should be some level of government oversight, but at the end of the day you don't want to change the way that talent is attracted, retained and rewarded, particularly in the institutions that may need it the most. While some may say "they're the ones that got us into trouble in the first place," even if that is the case, you don't want to deter other creative, talented people from coming into a company and trying to fix it. So you have to strike a balance which should fall within the discretion of the company. Ultimately, the balance still has to be tilted in favor of our free market system.

Editor: The New Jersey bench has long enjoyed a solid reputation. Is this because of the superior personnel, the structure of its judicial system or aspects of both, or are there other reasons for this?

Crane: The New Jersey bench is as good a judicial system as any in the country. It attracts highly qualified individuals. They are also appointed and not elected which takes away some of the direct political aspects of the process. There are enough members of the bar whom the court allows to participate in the process so that the result is a very positive and lengthy vetting process – one that results in good candidates. For example, I attended the William J. Brennan dinner hosted by the Association of the Federal Bar of New Jersey recently. William J. Brennan alone is an example of the history and quality of the New Jersey bench, having started as a state court judge before becoming a U.S. Supreme Court Justice. Most recently you have the case of Justice Samuel Alito on our U.S. Supreme Court who also came through the New Jersey system.

Editor: There has long been discussion in business and legal circles about the virtues of an appointed judiciary versus an elected judiciary or some combination thereof. Is there any specific combination that speaks to you as being an ideal one, or do you think the appointed system that we have now in New Jersey is adequate in it of itself?

Crane: My sense is the current appointed judiciary works very well. You've got various committees who participate in the process, and the emphasis seems to be on diversity and on high-quality, capable lawyers. You can always reevaluate your system to make sure it works, but I think "if it ain't broke," it doesn't need much fixing.

Editor: We are hearing today about the Obama proposals about the overhaul of the financial system structure. The Federal Reserve and SEC would be given increased powers, and a new consumer finance body would be set up to oversee such things as credit card lending. Have you had any thoughts about these new proposals?

Crane: Let's take them separately. The

Federal Reserve Board, with greater authority over more financial institutions, will only work better if it has better inter-agency rapport and focused leadership. SEC has enough authority but either because it was understaffed, or lacked strong leadership, or both, failed to act in ways that it should have. As it exists, it is capable of handling issues provided the leadership directs it properly. The SEC is a fine organization recently chastened by many events, but I think it will improve under current leadership. As to the newly proposed consumer finance oversight body – the tension right now is between too much government or not enough government. Again, my feeling is that you probably have sufficient existing infrastructure without adding another body. I would rely on existing agencies with improved leadership to improve government agencies rather than coming up with

a new agency, which brings a whole new set of problems.

Editor: On the opposite side there has been a suggestion that there be one central regulator. We haven't heard too much about that, but I think that some people were proposing that there should be one body, maybe the Fed alone as an overseer of all financial institutions.

Crane: That is one of the reasons not to form a new body. A bureaucracy poses as many problems as it solves. The last time a new agency was formed, I cannot remember that any power was ever taken away. It seems to me that if you can be efficient with what you have rather than create something new, you would be doing both the people who need regulation and the people in need of that protec-

tion, as well as the citizens and taxpayers, a bigger favor.

Editor: Is there anything else that you would like to add?

Crane: These are difficult economic times for business generally. In our case, a smart, business-oriented law firm is one that understands that you do have to change with the times and you have to be responsive to the existing pressures and foresee the future pressures corporate clients may be under. We have built our reputation by doing that in good times and bad times. In a funny way, bad times work well for a firm like ours because we tend to be more nimble than some of the other firms. These are challenging times that create opportunities for those willing to see them and willing to take advantage of them.