



Dealmakers Q&A: Saul Ewing's David Antzis

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(September 26, 2014, 11:46 AM ET) -- David Antzis is the co-chairman of Saul Ewing LLP's mergers and acquisitions practice and a former managing partner of the firm. He has represented buyers and sellers, both public and private, in a range of industries, including real estate investment trusts, convenience store chains, and manufacturers serving the chemicals, industrial products, medical instruments and shipping industries, among others. Antzis' practice includes a particular focus on the representation of life sciences companies and entrepreneurial health care businesses. The companies he represents include pharmaceutical companies, owners and operators of skilled nursing and assisted living facilities, outpatient rehabilitation operators and nurse staffing companies.



David Antzis

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

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

A: I worked on a divestiture transaction a few years ago for a company engaged in the ownership and operation of long-term care facilities (skilled nursing and assisted living), which was complicated to structure and implement because of tax concerns. The selling company was a C corporation, so the challenge was in finding a way to maximize shareholder return and minimize the taxes paid because of the appreciation in value of the company's assets. Adding to the challenge was the fact that purchasers of long-term care operations, particularly skilled nursing facilities, prefer asset acquisitions because of liability concerns.

We hired an investment banker and conducted an auction of the entire company, but sought separate buyers for the skilled nursing versus the assisted living facilities. The company had a fair amount of net operating losses associated with the nursing facilities, so we therefore first sold the nursing facilities in asset transactions (it turned out there were two separate nursing home buyers, based on geographical considerations), using the NOLs to offset much of the gain at the corporate level.

We had to convince one of these buyers to assume over \$60 million in debt, because many of the company's assets were cross-collateralized and we were not going to be able to sell the stock of the company until such debt was removed. Then we turned our attention to selling the stock of our client, once the company owned only assisted living facilities. Ultimately, therefore, we essentially ran three sale transactions virtually concurrently. The client and its shareholders certainly felt that it was worth it, since had the deal been done in just one phase, the company would have paid approximately \$20 million more in taxes.

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

A: I handle a fair number of transactions for entrepreneurial health care clients, and the regulatory implementation of the Affordable Care Act and associated Medicare cost reimbursement issues, and their cumulative effect on reimbursement decisions by third-party payors, are all having a fundamental effect on the health care industry.

It has been my experience that businesses tend to do better in times of regulatory certainty. Businesses facing significant regulatory change are more hesitant to hire new employees, open new facilities or invest in new technology until the regulatory climate settles. Even more significantly for deal flow, a buyer of a business may be hesitant to pull the trigger on a new acquisition if it feels that regulatory change shortly after closing could adversely impact the value of the business being acquired. Thus it would be extremely helpful if there were some lasting progress in the area of health care regulatory reform. It certainly doesn't help matters for our two political parties to be arguing about whether to maintain, amend or reverse many of the provisions of the Affordable Care Act.

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

A: One trend is that there is a great deal of private equity money searching for investments right now, and I have heard from some strategic buyers that they are regularly being outbid by financial buyers when participating in sale auctions. Yet strategic buyers typically have one inherent advantage over financial buyers — the synergies resulting from a combination of their respective business operations. I think that operating companies need to identify the business divisions that they would most like to enhance, and hopefully with that business focus, they will identify the synergies following acquisition which make their investments that much more valuable.

As far as deal activity, we are certainly seeing certain areas, such as ed-tech and cybersecurity, which are attracting a great deal of interest from buyers. Our law firm has established a number of industry-focused practice groups assembling groups of lawyers in various disciplines who share one feature — a common understanding of the business of our clients in a particular industry and the unique competitive, regulatory and other market challenges for these clients. We feel that this knowledge is extremely helpful when our clients “go to market,” whether as sellers or buyers.

Q: What advice would you give an aspiring dealmaker?

A: One piece of advice that I would give to an aspiring dealmaker is to recognize that a professional career is a marathon, not a sprint. The early years of your career should be spent in both developing your professional experience and your “network,” which includes attending conferences, meeting new people and simply cultivating relationships. If you approach your relationships with the attitude of “how can I help you?” people will view you over time as a trusted counselor, and opportunities to be a dealmaker will flourish. But there is no easy path to immediate results, which is why I think we all need to keep the “marathon” concept in mind.

Another piece of advice is that it is very important to get to know your clients and their businesses, which means leaving the office and visiting your clients, anticipating their needs, and understanding the unique challenges they face. When I served our firm as managing partner, I conducted a number of client service satisfaction visits, which simply meant sitting down with some of the representatives of a client with whom we interacted most often, and asking them what we were doing right and wrong and how we could improve our service. One

question that generated a great deal of useful information was “what keeps you awake at night?” Anyone, not just a managing partner, can be posing that question to one’s clients. Many of my clients have become personal friends. Of course they understand that I would like to do legal work for them, but more importantly, they know that I am personally invested in solving their problems and helping them sleep at night.

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

A: I know a lot of great lawyers, but one individual who I look up to in particular is Bill Janssen. Bill has one of the sharpest legal minds that I know, and also prides himself on what is perhaps fast becoming a lost art, i.e., writing in an incredibly clear, concise manner. Perhaps not coincidentally, Bill is no longer engaged in private law firm practice, but has become a tenured law school professor.

Many years ago, Bill jump-started the pro bono program at our firm, and playfully working off a poker theme, he developed a campaign of “We’re All In,” which challenged every lawyer in the firm to devote a prescribed number of hours each year to pro bono activities. The concept was rolled out at a number of firm meetings with lawyers at every level; the firm also credited a certain number of pro bono hours toward its minimum billable hour requirement. By the end of the first full year of the campaign, the firm’s pro bono hours had more than doubled, and we organized a number of pro bono programs around senior citizens and military veterans in need of legal assistance. Through his herculean efforts, Bill paid more than lip service to “giving back” and made a genuine and tangible contribution to the general community.

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