

BUSINESS LAW CURRENTS



Practice Spotlight: John R. Sagan

Partner, Mayer Brown

April 14, 2011

Westlaw Business Currents: Can you give us your background and tell us how you became a senior partner at one of the world's largest law firms?

JS: I began my career as a first grade teacher in Green Bay, Wisconsin. I was in graduate school working toward my masters in order to become a principal. I took a course one summer entitled education and the law. This was an incredibly exciting time, and the issues in educational law were very interesting. The class encompassed first amendment rights such as students wearing t-shirts to class with inappropriate phrases. Could they be thrown out or be asked to remove the shirt? There were anti-war issues, and many cases that went all the way to the Supreme Court. The class was fascinating. I must have done well in the class because the professor took me aside and asked me if I had ever thought of a backup plan to education. "Have you ever thought of law school?" he asked. Here I am, some 25 plus years later.

Westlaw Business Currents: That is very interesting, and frankly, you are the first senior partner that I have talked to that started out as a first grade teacher. Are there many points of comparison between running a practice and running a classroom?

JS: I believe I am much better as a corporate lawyer having been an elementary school teacher. In teaching, particularly in the early years, you try to break everything down to its most understandable, simplest statement or core principle. And as good corporate M&A lawyers, that is what we try to do as well. You also have to deal with a lot of different personalities, some of which are great to deal with, some of which are not necessarily easy to get along with. You try to treat everyone the same.

Westlaw Business Currents: A large part of your practice area concerns private equity. I am curious as to the activity you are seeing in the private equity field, in the LBO field, are you finding a lot of pent-up demand with investors to these funds, particularly in the Midwest?

JS: There is clearly pent-up demand, and as bank financing loosens and the economy improves, I think things are getting better. So much is driven by the economy, the consumer and how comfortable people feel. One leading indicator is automobile sales, which have been on a steadily upward trend. In fact, the annualized rate for February was the highest it has been in years. If people are confident enough to buy new cars, they will be confident enough to buy new houses and make other major purchases. It will have a snowball effect. The economy is growing again.

Westlaw Business Currents: One area of interest is the structure of the deal; you mentioned you are seeing bank financing loosening up a little bit. Does that mean we will see more leveraged type deals in the market? Particularly in the PE area?

JS: I think we will. There is clearly more activity now. CFOs, CEOs and private equity guys are getting more confident in the future. Once they get confident, they are going to be more willing to spend capital to grow their companies.

Westlaw Business Currents: Regionally? A lot of what we are sensing in the marketplace is that the East may not be driving these deals, but rather we are seeing a lot of good deals coming out of the Midwest. A lot of IPOs out of the West. Are you seeing anything regionally?

JS: The Midwest is coming on strong and I expect that trend will continue as companies look for strategic growth both in the U.S. and internationally.

Westlaw Business Currents: That is a nice transition to our next question. You represent a lot of rust belt companies and you are seeing increased activity; you recently were the lead counsel on the Caterpillar acquisition of Bucyrus, of course that is Caterpillar's largest deal to date.

JS: The Bucyrus acquisition is about growth and combining two great, complementary mining operations: Bucyrus' product line breadth and mining reputation and Caterpillar's global network, support structure and mining reputation. The combined businesses will create a mining equipment company with an unmatched product portfolio, support structure and mining reputation. We have enjoyed working with them on this deal.

Westlaw Business Currents: What is the role that a corporate attorney plays during the transaction, and what type of role does an attorney play in the post-sale world? How do you deal with governance issues? Integration? Other areas along these lines?

JS: In any large transaction, integration is an important thing to examine. How do you integrate and plan for the integration of management, organizations and cultures on closing day? So it is fairly typical to get somebody like a Bain or a McKinsey involved along with the lawyers. They analyze it and carefully create a "clean team" process under strict legal guidelines. All companies take this very seriously.

Westlaw Business Currents: Is there anything else that you would like to talk about in terms of the Caterpillar deal?

JS: Caterpillar is a very interesting company because they have one of the largest in-house legal staffs of any public company that I am aware of. They have more than 200 lawyers and their legal department is run like a law firm. One of the most impressive parts of working with the Caterpillar legal department is that they have so many subject matter experts in virtually every area. For example, they have environmental, HR and tax lawyers. You can get as esoteric as you want and they will have experts in that area. It is very interesting working with them, because it is fun and they keep you on your toes! They are a pleasure to work with.

Westlaw Business Currents: Has Dodd-Frank impacted your practice at all?

JS: For me, the Dodd-Frank Wall Street Reform and Consumer Protection Act has not had much of an impact, particularly in the regulatory and financial areas. As the new regulations are solidified, it could have an impact on deals.

Westlaw Business Currents: Mayer Brown is a forward-thinking firm, one of the real leaders in developing new international market opportunities for a U.S.-based firm and one of a handful of firms to develop alliances in Brazil, for example. Does that impact as you as a lawyer?

JS: The difference in dealmaking is night and day. It used to be, for example, when a company wanted to do a deal in Norway, we would use U.S.-style documentation for the first couple of drafts, but in the end we would always have to use local counsel. We would have to get people involved, recommend someone and get approvals. It was a longer process. Now we have direct capability all over the world. It is amazing.

We have worked hard to get to know our colleagues in the other offices, and from a deal perspective, it adds so much efficiency to the work we are doing. But let me say this about global firms: effective integration is the key.

We devoted a lot of time to this and as head of the partner promotion committee for five years, I spent a lot of time in other offices. We made sure we got to know the right people. And that comes in very handy.

Caterpillar did three big deals in 2010 and Mayer Brown was lead counsel on all of them. We staffed two of the deals out of Chicago and one out of Frankfurt and Cologne, Germany. The MWM deal was an engine manufacturer in Germany. The reason we were able to do that was because we have a lot of German lawyers who we had previously spent time introducing to Caterpillar. They are lawyers that I know well and I appreciate and trust their work. We now do work for Caterpillar in Germany.

Westlaw Business Currents: You raised the issue of integration, and you are very sensitive to how integration interplays with cultural differences. How do you manage that on an ongoing basis?

JS: *There is no easy answer. You just work hard at it. True integration is very expensive. You have to get people together so they know each other, the cultural differences and how things are done in other offices. I am not talking about jurisdictional issues. I am talking about actual work product. How do you do a deal? What does it mean? We have spent a lot of time talking through these differences and it is an expensive process, especially at a time when we are all looking at cost-cutting and cost savings.*

Westlaw Business Currents: Have you seen a trend towards the American style of doing documents in your international practice?

JS: *I think the American style of doing documents is winning. Our documents tend to be insurance policies, if you will. We try to anticipate scenarios. If there is a problem that develops down the road, what was the business agreement between the parties? What was the allocation of risk between the parties? What did the parties intend? You are writing documents for people who may never have been involved in the actual transaction. The documents may not be looked at for a number of years, but they are a different style of documents. I think that is the direction the world is going. Clients are more comfortable using our offices around the world because they know there is a set of uniform standards to be followed, which is one of the benefits of our international footprint.*

John Sagan concentrates on mergers and acquisitions; public offerings of both equity and debt securities, representing both issuers and underwriters; investment company regulation under the 1940 Act; venture capital and private equity funds; private placements of both equity and debt securities; and general corporate representation. In addition, John is the former co-Chair of the Firm's Committee on Professional Responsibility and co-Chair of the Firm's Partner Promotion Committee.

Westlaw Business Currents delivers lawyer-authored content and Westlaw Business source documents together with Reuters news to keep you informed of the latest developments in your areas of interest. Available online and delivered directly to your desktop, Westlaw Business Currents provides you with the news and timely analysis you need to stay on top of current trends and maintain a competitive edge for your organization and your clients.

Visit us online at <http://currents.westlawbusiness.com>

Subscribe to our email newsletter at <http://currents.westlawbusiness.com/subscribe.aspx>