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STEVE FELSENTHAL

Much More Than Just a Tax Lawyer

Discretion is his hallmark —
because clients become friends
and friends become clients.

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STEVE FELSENTHAL

Tax Lawyer Often Becomes ‘Go-to’ Professional for Business Concerns

by Mike Bailey

It was, as he recalls, a combination of Louis Nizer and E. G. Marshall that led Steven A. Felsenthal to law. What keeps him intrigued is the daily challenge of finding creative ways to solve his clients’ problems.

Felsenthal, of Sugar Felsenthal Grais & Helsinger LLP, advises business owners and corporate executives in tax planning, sales and acquisitions, and debt restructuring. He also enjoys a robust practice in estate and strategic planning and real estate transactions. He is one of the founding partners of the firm and a member of its executive committee.

Jim McCracken, a client of Felsenthal’s for the past two decades, says he is much more than just a tax attorney or an estate planner. “Quite simply, he is the smartest person I have ever met. I’ve never won an argument with him. He’s usually right. No, he’s always right,” he laughs.

McCracken owns Best Veneer Co. with offices in Lisle, Illinois, and a factory in Iowa. A privately held, family-owned business like his often needs a dispassionate outside view of how to handle complex issues.

“In any family-run business, there will be bumps in the road, especially when you are grooming your child to eventually run the business. Steve has helped me get through those. Sometimes you don’t see things as clearly when your son is involved. Steve is very analytical. I feel very comfortable with him as my go-to guy for business decisions outside of tax issues.”

McCracken says Felsenthal sees things clearly and is able to cut to the heart of the issue quickly and correctly. “He doesn’t have the emotional baggage that I have when analyzing a situation. We often disagree, but then he makes me see things from his analytical perspective.

“It would be difficult to find a law firm in which trust and keen skill are more in abundance. During the Great Recession, Steve and his partners coached us through some very difficult situations and helped us to successfully restructure our business in a manner that really helped us to survive and prosper,” McCracken notes.



Felsenthal knew from the time he was a middle schooler that he wanted to be an attorney. “My Dad was a textile salesman, and I knew that I did not want to be a textile salesman. One summer we were on vacation driving east to New York. I was about 14 or 15, and I was reading *My Life in Court* by Louis Nizer. The book is a series of stories about cases he handled—a lot of them were reputational cases—and I thought it was fascinating. I thought to myself, ‘I could do this.’”

That predilection was further reinforced through the television series *The Defenders* starring E.G. Marshall. “I watched him walk up the steps in Foley Square (to the Federal Courthouse in New York). It seemed like I could use my analytical and verbal skills to great advantage. I thought it would be fun to do, and I was right. It is fun.”

And he is very good at what he does. His peers have selected him as a Leading Lawyer since 2012 in business and individual tax law, wills and estate planning, and closely and privately held business law. He has been selected as a Super Lawyer (2005-2007, 2009-2012). And he was rated Preeminent by Martindale-Hubbell and listed as one of Chicago’s top lawyers in business and commercial law in 2012.

A native Chicagoan, Felsenthal was the first in his family to graduate from college when he received his undergraduate degree from the University of Illinois in 1971. “I was a history major, and I briefly considered becoming a history professor but the pull of law was too strong,” he says. And so, he attended Harvard Law School to become a lawyer, graduating in 1974.

STAYING NIMBLE AS LAWS CHANGE

“I didn’t have a great deal of experience in the world of business, and I did not really know what I wanted to do,” he remembers. “I took a lot of corporate and tax law courses because I knew I did not want to become a litigator.”

That decision led him to an internship after his second year of law school with a firm that had a strong reputation in tax law. After that, when he was interviewed for positions with law firms, the tax experience became his legal identity. “People would look over my resume and experience and say, ‘You’re a tax guy.’ The shoe fit, so I wore it. I didn’t find tax law confounding as many people do.”

But tax law and the requirements of tax attorneys and estate planners have changed dramatically over the years, requiring Felsenthal and others in that area of practice to be nimble.

“Back then, the top tax rate was 70 percent and 50 percent for earned income. Tax shelters were very advantageous for high-income clients. Wealthy people invested in syndicated



In New Haven, Connecticut. From left: daughter Rebecca, Felsenthal, wife Carol, daughter Julia, son Daniel

tax shelters, and we spent a lot of time designing them.”

Tax law was also something that smaller, boutique firms did, as opposed to larger law firms. “Generally, big firms didn’t do much with tax work 40 years ago, and, as a result, we did a lot of tax structuring and estate planning for sophisticated clients,” he says of his first legal job in the mid-1970s. “In fact, tax work and estate planning were approached philosophically as an integrated discipline, and we continue to take that approach in our firm today. In most law firms, income tax planning and estate planning are handled by different lawyers in different departments of the firm. We have never been structured that way.”

The Tax Reform Act of 1986 changed much of the previous income tax law, phasing out many tax-sheltered transactions while broadening the tax base and lowering tax rates. It eliminated many deductions and made it more difficult to use deductions from entities in which a taxpayer was only passively involved. “It resulted in a sea change in the way clients raised money for projects from investors,” he says.

“Virtually every other year since I started practice, there was a new tax act with significant changes, so it was not difficult to foresee radical revisions in the future.”

Realizing he needed more control over his career, Felsenthal joined Richard Sugar in 1984, creating a firm that would grow into Sugar Felsenthal Grais & Helsing LLP. Today, his practice includes tax advice for real estate developers seeking to structure their development to facilitate investment and borrowing money. While many of his clients are corporate entities, he also spends a considerable amount of time in estate planning.

“A lot of my clients are older, wealthier people interested in planning their estates. This differs from transactional tax work,” he says.

“These clients have goals and each is different so each is handled differently, depending on their wealth, how it is owned, their ages, goals and family structure. Many people are interested in charitable giving, for example, and we help them achieve those goals.”

His practice is not confined to tax law and estate planning, however, as he has given exceptional career advice as well.

“Steve was instrumental in helping me form ProTen Realty Group more than 15 years ago,” says Renee Betzelos, of the ProTen Realty Group/Corfac International. “The previous company that I was working for was sold to another company while I was being hired on a number of new transactions. The non-compete was transferable to the new company. If I were to have moved to the new company, it would have impacted my career in that I would not have been running the Chicago office as I had been previously. Additionally, the new company had many lines of business, which I felt competed with my line of business,” she recalls.

“Steve knew me well enough to help me to recognize and capitalize on my strength of not needing the security of a big company to generate business and/or implement optimal solutions for my clients.”

Felsenthal researched her unique situation and came to a conclusion that changed the course of her career. “He provided concrete examples which showed me that I would earn significantly more by owning my company versus working for another company. Importantly, Steve helped me structure a separation which negated the non-compete clause, which in turn helped launch ProTen, so that we were profitable in nine months, (something that is) very unusual in the real estate industry.”

As with many of his clients, the relationship continues today. “Our company still relies on Steve to guide us through difficult situations.

He always comes up with the most cost-effective solution, which still protects the company, and he is strategic in helping us obtain new clients. Simply put, he is both a creative and practical attorney who has helped grow our business significantly throughout the years,” she says.

One trend that has emerged in recent years is the impatience of children to receive their portion of their parents’ estate; something that Felsenthal confirms has arisen in certain estates he has handled. “Some children have a tremendous sense of entitlement which literally can go so far as an expectation that other siblings will be excluded. I scratch my head as to how this developed. I try to guide the parents and the siblings through this process, but sometimes it takes more emotional intelligence than anyone can muster.”

The sense of urgency in receiving a fair share or even a disproportionate share of an estate can complicate estate planning immensely, he says. “Often, the parents don’t know how to cope with it. I would have been better served to have an undergraduate degree in psychology than history,” he says.

“And if the client has children from more than one marriage or children from a first marriage and a second spouse, it is even more complicated and, often, vitriolic. The lawyer must help the client manage the situation so that the family doesn’t break out into World War III after the client dies.”

ANALYSIS AND CREATIVITY REQUIRED

While Felsenthal finds people fascinating to work with, tax law brings greater satisfaction. That area of law, he says, is very technical and thus utilizes his analytical skills, a process he thoroughly enjoys. Like estate planning, it also allows some room for creative approaches. “My satisfaction comes from figuring out how to solve my clients’ problems creatively.”

To accomplish that, Felsenthal uses the analogy of game theory. “You try to achieve results based on the ultimate goals. (Like a poker game), you have a set of cards and how well you do depends on how the cards get played.” He declines to discuss past cases, fearing clients might recognize themselves in his narrative. He also declines to discuss achievements on behalf of his clients. “I don’t brag,” he says, adding that any appearance of upstaging the United States government could be damaging in future actions.

“Much of what I do is very personal, and I don’t want clients to be able to identify their situation in this article. That would be indiscreet.” He says his clients are special to him and that he integrates his professional life with his personal life. “I make my clients my friends and my friends my clients,” he says.

The late Sheldon Baskin, a Chicago real



estate lawyer and developer, said in an interview in 2016 that he had known Felsenthal since the mid-1970s, shortly after the then-young attorney graduated from Harvard Law. “He was part of a large tax law firm that we used for a complicated real estate deal in Michigan,” Baskin remembered. “Steve was assigned. I’ve used him ever since. Our kids went to nursery school and pre-school together and then to

Chicago’s Francis Parker School. We took trips together. I consider him a good friend.”

Baskin was no stranger to the law or to complicated real estate deals. According to a biography on the Baskin Family Foundation website, he had more than 50 years of experience in real estate, most of it in affordable housing. He once owned Metroplex Inc., the site says, with approximately 200 employees

who managed 15,000 units of rental housing.

“We had a major deal that had a tight deadline, so I called Steve and, when he called back, he told me he was vacationing on Martha’s Vineyard with his family. I explained the situation and he said, ‘Send it all to me. I’ll read it on the way back with my family.’ That’s how responsive he is. If you’re his client, he is there for you 100 percent. He believes in you. He went to Harvard Law and so he is smart. But he is more than just a tax lawyer. I know a lot of lawyers who are responsive and smart, but that doesn’t matter if you can’t do the job. I have complete confidence in him,” Baskin says.

Converting clients to friends is something Felsenthal has done exceedingly well, says McCracken. His service is built on friendship, understanding and, above all, trust. “Sometimes when I call him it isn’t about a legal matter. Sometimes we just talk. We are on the opposite sides politically, but we can discuss issues in a gentlemanly fashion. We have a wonderful relationship. I am constantly astounded by his knowledge and the way he thinks out things. I tend to shoot from the hip, and he makes me back up and think things through.”

That interaction outside of legal matters helps Felsenthal get to know his clients and better prepare for issues that arise in estate planning and in his clients’ business organizations.

“It’s all about getting to know them and their goals,” he says. “Are they charitably inclined? Will they have the anticipated liquidity required to meet their goals? We look at their tax situations and whether our techniques would suit them. Some want complexity in their planning, some just want simplicity. We rely on our experience with people to decide what is appropriate to suggest. It is all customized to the individual or family. We are not a factory.”

He says some clients have a very clear idea of what they want to accomplish but don’t always know or understand all the potential pitfalls between here and there. Children may change the goals or a business venture may alter plans, so change is constant in planning, he says. “You can’t do what you did yesterday and expect it to work today. Life is not an exact science.”

That, says McCracken, is a perfect summation of his experience with Felsenthal in estate planning. “He helped us value our business for estate planning purposes and achieve a fair and equitable distribution of our assets,” he says. “He knew what we were trying to accomplish.”

Felsenthal enjoys contemporary art, theater and the Chicago Symphony Orchestra in his

free time, and although he does not have a lot of time to travel, he maintains his childhood fascination with trains. “It never left me,” he says.

He also is a dedicated runner, working out at the East Bank Club. “It puts distance between my day and my night.”

He does not participate in competitive sports, he says, because “I do my competing in the office.” He also spends one week a month working from his firm’s New York office, which allows him to spend time with his children and grandchildren who all live in the area.

“My wife, Carol, and I have been married for 47 years. We were just 21 when we got married. We have given each other room to grow with no fixed expectations of the other, and, because of that, we have had a strong marriage. I always felt in my professional life that I had the family support, which has been very important to me.”

The couple has three adult children, none



Steve has such good insight into people. He identifies their needs and then figures out how to get a deal done.”

of whom is an attorney. “We told them to do what they wanted to do in life. We gave our children the freedom to explore who they were and to do what they wanted to.”

YOUNGER ATTORNEYS KEEP FIRM FRESH

His practice and his career is constantly evolving and growing, in part, he says, because of the younger attorneys his firm has been able to hire and because of younger partners, some of whom have been with the firm for 20 years or more.

“I’ve been very fortunate that we’ve been able to surround ourselves with very smart people. For me, this has been a conscious choice, a lifestyle choice. I don’t want to work with people who don’t have high standards or who don’t enjoy what they do.”

The firm’s success, he says, is largely due to the meticulous attention to service and the skill and knowledge of its 30 professionals. “We do good work,” he says, “but I could accomplish little by myself. I have wonderful partners who are skilled in different areas of the law.” He cites Richard Sugar, in particular, saying that they are compatible lawyers and leaders. While their approaches to the world are different, they make far better decisions together than either of them would make alone.

The elevation of younger attorneys into leadership positions and management makes for a far stronger firm and makes their firm attractive to skilled attorneys from other firms looking for a place to grow.

In 2005, Adam Grais joined the firm after having worked at Skadden Arps and then serving as general counsel to the family office of a wealthy Chicago family. Today he serves as managing partner.

Grais identifies two qualities that make Felsenthal such a special attorney. “First, he approaches every problem with an open mind. He knows that there is not just one way to attack a problem. He has seen so much that he realizes how important it is to be open to different approaches. Second, he never gives up. I’ve seen him take on deals that no one thought could get done—or deals that other people had given up on—and he gets those deals over the finish line. It’s because he explores all options.”

Grais says much of Felsenthal’s effectiveness is borne of experience. “He has seen a lot of different deals and been part of a lot of business cycles, so he has such a broad perspective.”

One of Felsenthal’s greatest and understated attributes, Grais says, is the ability to read people. “Steve has such good insight into people with whom he is negotiating. He identifies their needs and then figures out how to get a deal done.”

That success can best be measured not just by the number of deals Felsenthal has completed but by the loyalty his clients have shown him. “Most of his clients have been with him an extremely long time. He develops a relationship with them that goes beyond a transaction,” says Grais. “Some people can be hard to deal with, but Steve has found ways to make everyone feel comfortable.”

Grais says young attorneys and even he himself have benefitted from the senior attorney’s vast experience. “He helped me realize the importance of understanding the client’s business as well as the issue at hand. Steve focuses on the people in the deal and what’s important to each of them. I came to the firm 10 years ago, and he has helped me immensely in learning how to run a business.”

For his part, Felsenthal is appreciative of the praise, but he is characteristically unaffected.

“I still enjoy the law, and I can’t imagine anything I’d want to do more. It is not the same thing every day. I find my clients’ problems challenging, and it is satisfying when I help them solve them. And now we have another new tax act with tremendous new opportunities and challenges for clients and lawyers. How can you not be stimulated by that?” ■