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INTERVIEWEE: Ray Shapiro

INTERVIEWER: Diane Sigmund

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*Diane Sigmund:* Good morning. My name is Diane Sigmund. I am the chair of the archives committee of the American College of Bankruptcy. Today is April 18, 2012, and I am here with Raymond L. Shapiro, Esquire in the Philadelphia Law office of Blank Rome. We are here today to talk about his life and his distinguished career. Good morning, Ray.

*Ray Shapiro:* Good morning, Diane. I'm delighted that I can be responsive to your request. You and I have known each other for time out of mind. You were in our firm first as an associate, and then as a partner. When I came to Blank Rome in 1984, you were with me in my boutique firm of Wexler, Weisman, Foreman, and Shapiro, and then you later decided that you wanted to seek a judgeship, and you became a distinguished bankruptcy judge here in the eastern district of Pennsylvania. So it's one of my pleasures to have you interview me at this time in my life. So shall we begin?

*Diane Sigmund:* Absolutely. Let's begin at the beginning. Where were you born and when?

*Ray Shapiro:* Sure. I was born in New York in 1934 in a place called College Point, Long Island. My parents were first generation Americans born in 1900, and I am second generation American, and I think about that a great deal because I feel in my life, I'm living the dreams of my grandparents who came here from Eastern Europe and the dreams of my parents for me. I was the first one to go to college in our family, and certainly to go on to get a law degree. My parents were both of large families. One I think had 10 or 11 children living in tenement houses on the lower east side of New York.

And at three years of age, my father who was a dress designer and pattern maker, moved to Philadelphia because he got a job here. And for the rest of my life, my base was Philadelphia.

*Diane Sigmund:* Now did you have any siblings?

*Ray Shapiro:* I had one brother. His name is David. His claim to fame is that he was on the starting five of a high school basketball team at Overbrook High School where the main player was Wilt Chamberlain, and they won the city championship and were considered one of the great high school basketball teams of all time. And as my brother reminds me, his picture is in the basketball hall of fame because the memorabilia of Wilt Chamberlain includes the picture of the high school team. And so my brother is in the hall of fame, albeit in a bit of a small picture sitting on the side somewhere.

*Diane Sigmund:* Were you equally distinguished in the Philadelphia school system?

*Ray Shapiro:* I never made a varsity team. I was a very good athlete, but I never made the varsity basketball. I wasn't tall enough to be a forward, and I was too slow to be a guard, although I played JV. Actually, my best sport was swimming. I was an excellent swimmer, but Overbrook High School did not have a swim team.

*Diane Sigmund:* What subjects interested you in high school?

*Ray Shapiro:* Frankly, I was ornery in high school.

*Diane Sigmund:* Oh, I can't believe that.

*Ray Shapiro:* I found myself easily handling math courses. I knew I was very good I math, and I was in an accelerated program but was not happy to be in an accelerated program since everybody was so competitive about getting their grades, whereas I got my grades worrying about myself and not worrying about beating someone else. But I found early on in high school that people were competing with each other, and that wasn't my style, although I'm a very competitive person.

*Diane Sigmund:* How did you spend your summers growing up?

*Ray Shapiro:* When I was in undergrad, I was a counselor at a summer camp. That's where I met my wife. She was a counselor, and we were married in my first year of law school. I worked in college 20 hours a week, and was able to keep a job in the winter while I went

to school, and then worked in the summer at camp as a counselor. Eventually in law school, I had summer jobs working on a building and construction gang for McCloskey where they built the waterworks in Philadelphia. I counted people getting on and off buses. I had all kinds of odd jobs, too, in my generation, helped me get through school and pay for it.

Being a counselor at camp, I believe, stopped when I was 20, and then I had these odd jobs as I worked my way through law school. But 20 hours a week meant that I worked Tuesday night, Thursday night, Friday night, and all day Saturday as a dairy clerk in a food market, and many other people going to college as I did had those kinds of jobs. So our time was very limited because we were spending so much time working.

*Diane Sigmund:* Where did you go to college?

*Ray Shapiro:* I went to Temple Undergrad, and then the Temple Law School. Graduated Temple Undergrad in 1956, was majoring in accounting, and became a member of the Beta Gamma Sigma business society and Beta Alpha Psi, the honorary accounting society. And in my last year of college, decided I didn't want to just be an accountant and decided to branch out and try myself as a lawyer.

*Diane Sigmund:* Why did you choose Temple and stay in Philadelphia?

*Ray Shapiro:* Money, and Temple admitted me, and Temple also had a night program. And I found that fine. I don't recall if Penn accepted me or not. I frankly don't remember. I think Temple was the school that I tried for. I was going to go to night school and went to day school.

*Diane Sigmund:* You're talking about law school then.

*Ray Shapiro:* Law school. Undergrad, Temple was perfect for me. Just a city school and one I could afford.

*Diane Sigmund:* Did the girl you met in camp have anything to do with your decision to stay local?

*Ray Shapiro:* No, in fact, when I went to camp, I was going with another girl, and so I met –

*Diane Sigmund:* I was thinking of your wife.

- Ray Shapiro:* Yeah, I know, but my – the girl I was going with, as my wife said, she had to go to summer school, and that was her problem, and I met my wife at camp.
- Diane Sigmund:* The rest is history.
- Ray Shapiro:* The rest is history. After 55 years, it was the right decision. We're still married.
- Diane Sigmund:* You had a lot of jobs as you went through school. How do you feel about all that work you did? How did you feel about it then, and how do you feel about it now?
- Ray Shapiro:* I really believe that my workload and all the odd jobs that I had was as much a growing process in helping me to mature as the process of actually going to college and picking up a formal education. The informality of that education and working on these jobs really lit a fire in me to commit myself to excel and be able to earn a living at a higher standard, and to have challenging jobs. Frankly, Diane, the only thing I can remember from college with all the courses I had was my course in English literature where I read Browning, which had a line that a man's reach must exceed his grasp or what's a heaven for, and I spent the rest of my life not accepting what was within my grasp but continuing to reach for something more.
- When I met Leon Foreman and practiced with him for 45 years, he embellished a little on that and kept it simple and said what it really means is you never stop learning. That's what I remember the most from my days in college.
- Diane Sigmund:* What made you decide to go to law school? You started out in accounting and business, and you seem to have abandoned that for the law at some point.
- Ray Shapiro:* Yeah, I decided accounting might be too tedious for me, and when I got into cost accounting and other areas, I found that I could get A's in the course, but that I was struggling more than some other people in the class to get there. Secondly, I was concerned accounting would be too much tedium, and I love standing on my feet. I thought it would be a real challenge for me in the law that I would enjoy more than doing and reviewing books of account. We weren't thinking at that time that accounts also became consultants and had consulting organizations. It was more of a bookkeeping process, and therefore, I thought that law school was much more expansive for the things that I like to do.

*Diane Sigmund:* And you continued to work while you were in law school?

*Ray Shapiro:* Yeah. Not only did I work in the summer, but in the winter, I got a job being a substitute teacher in the public school system, and if I would get a call early in the morning to show up at a school, I could go there and get a day's pay as a substitute teacher, and then I could make up the class at night, and that was very helpful because I was living with my parents. I didn't have the money to live on my own, and I was married in my first year. My wife was working full time as a legal secretary and actually helped put me through law school.

(10:00)

It was very common in those days in our class that most of the guys were married. By their third year, most of their wives were working to help them get through, and I say guys because –

*Diane Sigmund:* I was just going to ask you that.

*Ray Shapiro:* In my class in law school, we had 60 or 70 people at Temple at the time. Maybe we had three women. Maybe three women in the whole law school in the three years. Maybe 20, 25 women. So it was really a guys' world in law school and not a woman's world at that time. And so that job helped, and then I did very well in law school, and they hired me as a student assistant, and I made some extra money, and I got through the process.

*Diane Sigmund:* But most of the jobs that you did in law school were not legal jobs.

*Ray Shapiro:* That's right.

*Diane Sigmund:* And that's somewhat different than today when students get these internships, some are associateships, during the course of their legal career so that they come out with legal experience. Was that not common in that day?

*Ray Shapiro:* It was not common, and if you worked for somebody, I guess it would be for nothing. It just didn't exist. And besides that, I needed the summer to make money. So the McCloskey job paid me very well. Eight weeks of physical work on a construction gang, and you couldn't get that – if I were going to clerk in the summer, it would be for nothing. You know, that reminds me of something that people don't appreciate. You had preceptors in those days. So my wife's boss was my preceptor. I had to have a

preceptor, and I was interviewed by the Philadelphia Bar Association before I became a lawyer.

And I remember going to that meeting. You go by yourself, not with your preceptor, and the man looked at me. Now this is 1958. I was going to take the bar and become a lawyer. And the question asked of me that just came to me was, "How would you amend the United States Constitution?" And they still had the McCarthy overflow in the bar concerning communists becoming lawyers. And so he asked me several questions about my belief and communism and what I did.

It was another time in another era, but there was a fear that communists would become lawyers even at that late stage in the '50s and use their legal career to help foster communism. So those were questions propounded to me.

*Diane Sigmund:* But you didn't have to take a loyalty oath.

*Ray Shapiro:* I did not have to take a loyalty oath, no. No, and I answered his questions. I wasn't a communist.

*Diane Sigmund:* But that interview was an admission requirement.

*Ray Shapiro:* Yeah, to become a member of the bar at that time, you were interviewed by somebody from the bar association.

*Diane Sigmund:* Didn't know that. What were your favorite courses in law school? What did you do particularly well in? Did you notice certain tendencies?

*Ray Shapiro:* Yeah, I did. I liked the business courses. I really opened my head in law school. I did very well in undergrad, but for whatever reason, law school just exploded on me. I liked bills and notes, and I liked the bankruptcy course, and I liked asset based lending, which was article nine in the uniform commercial code, and I found – and the corporation courses, and I found myself gravitating more to that. But if you would ask me before we sat down where I was in law school, and in my first year, I was eighth in my class. In my second year, I was second in my class, and then I graduated first in my class. So I knew at that point that I picked the right career for me because I was excelling, and I didn't find it hard.

When I took the bankruptcy exam, I had 102 fever, and I was embarrassed to get up and walk out after an hour in the two hour

exam, but I knew if I stayed another hour, I'd collapse, and I got an A plus. So I knew that I was catching onto the law. So I liked most of the courses, but I knew I wanted to be a business lawyer. In those days, most of the guys at Temple went into personal injury work because they could make a living right away. If they had referrals and do it – I was one of the few people in my class that liked the business side of the law and became a business lawyer.

*Diane Sigmund:* What did that credential being number one in the class do to your job prospects?

*Ray Shapiro:* Slim from Temple. Temple was not where Penn was in the city. I was surprised at that. And I had a few calls from people. You also have to appreciate that at that time, the white shoes law firms were not breaking down and opening their doors to many Jews, so there weren't many jobs. That's why most of the guys in my class did not try to get into larger firms. There were a few Jewish firms that were just starting at that time and building, and I went to a boutique Jewish firm. Today if you were first in your class, you could go almost anywhere. Then if you were first in your class at Temple, it was still a struggle for me, and especially because I wanted to be a business lawyer, and I didn't want to go to some of the larger firms like – at that time, Wolf Block and Blank Rome were starting to develop. I wanted to be in a small group.

*Diane Sigmund:* Why was that?

*Ray Shapiro:* Because I felt that I – maybe it was a misperception that I would get more out of the talented people who would pay attention to me, and I would also have an opportunity not to be pigeonholed, that if I went to a smaller firm, I could do everything, and I did. I went to a firm called Wexler, Mulder, & Weisman.

*Diane Sigmund:* And when was that?

*Ray Shapiro:* In 1959. And they had simply outstanding lawyers. And they allowed me to do everything. So I wasn't put in and pigeonholed. They specialize in predators' rights, but when I went there, they asked me to do everything. That frankly also was part of my maturing into a lawyer because I was exposed to so many areas of the law, and I had to do it and learn it that when I became a full time bankruptcy lawyer, I had all that knowledge that was built up in all those areas of the law, and it was a good move for me to go to an organization like that.

*Diane Sigmund:* How big was the firm?

*Ray Shapiro:* I was the seventh lawyer. Now you can say, “How can you learn anything?” Morris Wexler was just about tops in his class at Penn. Leon Foreman was in his 40s and was starting a national reputation as an outstanding bankruptcy lawyer and lecturing for Ally Abbott. Oscar Spivak taught me in law school bills and notes and Article 9. Oscar wrote the first Ally Abbott book on Article 9 and UCC lending. Myer Mower was a litigator and one of the finest writers I ever met. Mower took me through bookstores at lunch hour to fill in my void and to read things like Shakespeare, Flaubert, Rabalet. So he insisted that I broaden my education because I was taking mostly business courses in college, and apart from Browning, I didn’t focus on Shakespeare and others.

*Diane Sigmund:* So you were reading Shakespeare and not worrying about billable hours.

*Ray Shapiro:* We didn’t have time sheets then. When we were done with a case, we looked at it and said, “What do you think?” And we would send a bill, and usually, the client would pay it. We didn’t have hourly charges. My first bill to my client who is still my client to this day, 60 years later, was \$45.00. I sent him a bill to give him some advice on a contract, and he sent me the bill back. I have it in my office on my desk. \$45.00 was my first bill. I was making \$50.00 a week when I started, and when I passed the bar, they gave me \$100.00. John Mulder, by the way, was a professor. I think he was teaching at Penn. So these are the people that surrounded me and elevated me, and we had an outstanding boutique practice at the time.

And most of the creditors’ rights work was being done by boutique law firms. The big firms weren’t in it, and the small firms were active. So it worked out very well for me in the beginning to learn in that environment. I did corporate work. I did buy-sell agreements for shareholders. I did acquisitions, buying and selling of businesses. I was in court every week. I did subrogation work for an insurance company, which required a litigation today that’s done by inter – company – insurance company arbitration. They do those subrogations, but in those days, an insurance company would send in their subrogation cases, and I would sue the parties who were responsible for the damages that they had to pay for, whether it be in automobiles or building fires or something.

And that allowed me to litigate. I tried jury and non-jury cases, and was exposed to everything, even exposed to taxes. So as a bankruptcy lawyer, I had a start that I don’t know kids today have

that opportunity because they immediately pigeonhole them, and they're immediately doing bankruptcy work, and they're not doing all the things that I did, and over the years, they have to learn about these other disciplines where as in my generation, I was exposed to all that, and it made me a better bankruptcy lawyer.

*Diane Sigmund:* How was the relationship and collegiality and working together at the firm?

(20:00)

*Ray Shapiro:* It was terrific. It was really good, but I was young and aggressive, and I was only there 10 or 11 years. I was not even 40 when I got a chance to take over the firm with Leon Foreman because Weisman took ill, Wexler wanted out, and John Mulder passed away. So the firm's dynamic changed before I was 40 when Leon Foreman and I really took over the firm.

*Diane Sigmund:* You said you went into court a lot. What were the bankruptcy courts like in those days?

*Ray Shapiro:* The bankruptcy –

*Diane Sigmund:* I heard they were clubby. I heard there was a ring. Is that true?

*Ray Shapiro:* No. Yes. Bankruptcy had some debris attached to its name, and the – in Pennsylvania, we did not have debtors in possession. We had receivers in Chapter 11. We also had Chapter 10 at that time where you had trustees, and in order – in the bankruptcy court, it was a little more loosey goosey in how you practiced, but I never found in all those years any taint to anything that we were exposed to. Lawyers settled cases faster, and so people may have had the impression that you would do deals, but we settled cases faster because we didn't have enough troops to litigate.

And secondly, our clients wanted us to move the case along because the time value of money, and you didn't have claims traders who were looking for a spread or bondholders who were buying bonds to make a spread. You were having the original vendors who wanted this debtor to be reorganized so that they can sell them merchandise again. So the cases either were liquidated quickly or they reorganized quickly. You got in and you got out. So it was a different practice. Moreover, in order for us to survive, we had collection companies who referred business to us. Merton Credit Indemnity was one of them.

They ensured accounts receivable, Dun & Bradstreet, and if you had certain business where you got the claims, then you controlled the claims, then you could have those claims vote in the receiver, and the receiver would select you as counsel. There were a few of us that competed on the creditors' end, and there were a few firms that were doing the debtors' work. And when you got into cases, you didn't have a bankruptcy code, and a lot of it was, you know, under the act of 1938 under the Chandler Act, and you didn't see many Chapter 10's here. You may have seen them in New York, but not here. The game really changed in 1970, 1971.

The game got bigger. The bankruptcies got bigger. The Chapter 11's got bigger.

*Diane Sigmund:* What was the reason for that?

*Ray Shapiro:* Businesses were now coming out of World War II and were flourishing. There were a lot more businesses, and like anything else, people took risks. The banks took risks, the loans were larger, the cases were bigger, and times were changing, and people had to keep up with their businesses. So you had around the country major bankruptcies, and certainly in New York, but in Philadelphia in the '70s, we really hit another level.

*Diane Sigmund:* At some point, did you also become an author?

*Ray Shapiro:* Yeah. When I graduated law school, I never sought to be tops in my class. Same thing when I was an undergrad, and high school. My approach continued, but I knew that I really caught on to all areas of the law. And when I took the bar exam in those days, it was all essay. And you had two days of four questions in the morning, four in the afternoon. There were 16 questions asked, and I took the bar exam, and then they rated you by your level in the state, and I wound up third in the state. Two guys from Penn defeated me, but I knew I was smart enough to beat all the guys from Yale and Harvard, which gave me an incredible amount of confidence that I could understand the law and compete with anyone.

I just had to be a lawyer. Four years out of law school, John Mulder, who was a partner, came to me and said, "You know, you really know a lot of areas of the law, and you seem to catch on to everything really quickly. How about if you help Milford Meyer," who was one of the best trial lawyers in Philadelphia doing mostly FELA work and personal injury work, and a brilliant man. He was

the author of *Dum Mathana*, an eight-volume formbook set, but also had text to explain the forms and describe the law.

*Diane Sigmund:* Was that a national publication?

*Ray Shapiro:* No, it was Pennsylvania. It was a formbook of Pennsylvania forms. However, it included forms in every area. Litigation, contracts, estate. Everything you can imagine. So it was very broad based. You had to write text for these forms sometime and explain the law and why you did certain things.

*Diane Sigmund:* Even though you didn't use all of those forms.

*Ray Shapiro:* Even though I didn't. But remember, I was being exposed to so many areas of the law, even estate, that I had so many forms coming into me, and they said to me, "Look, why don't you be an author?" And I said, "My God, I've only been out four years," and John Mulder said, "Yeah, but you'd be surprised at how much you know and how quickly you grasp it." So I said, "All right, I will try it," and I did, and I was co-author with Milford Meyer for the next 20 years doing that.

*Diane Sigmund:* Twenty years.

*Ray Shapiro:* Yeah, we did it for 20 years. Unfortunately, Mr. Meyer was in an automobile accident after he retired, was still working on it, and was killed in Florida. It was a very sad ending, and I got so busy in the law in the '80s with a huge practice that I just couldn't do it anymore. I also was an author of a book called *Civil Practice Handbook for Pennsylvania lawyers on the entire civil practice* because I was trying cases in Pennsylvania courts as well as federal courts, and I did that with Mr. Meyer.

And then later when I developed some talent in representing banks and financial institutions, I contributed a chapter in the business workout manuals on lender liability and lender liability exposure, so I could look at it both from a bank lawyer standpoint and also from my litigation experience.

So being an author like that caused me to stay current, very current on forms being used in all areas of the law and on changes in the law. So that got me to be very fortunate that I took that on, and although I was worried that I couldn't do it, I did fine with it, and I had another mentor in Milford Meyer, who made me a better writer because he was far superior than I in writing style, and he helped

elevate me to another level of being able to write just by being an author.

*Diane Sigmund:* And with the departure of some of those lawyers, you said you became a leader at the firm. When would that have been?

*Ray Shapiro:* Well, in 1971, I came to the firm in 1960, and I was 25 years old, so I was 36 years old in 1971. And I said to Leon Foreman, "Let's take this firm over because Wexler wants to be bought out." It was very hard negotiations with Wexler. Morris Weisman was ill, and we cut a deal with Wexler, and I learned a lot about being young and aggressive and being older and wanting to retire since I was on the opposite end of that. At that point, I wasn't fearful of going to a big firm. I told Leon at that time that a big firm doesn't intimidate me. Maybe it did when I first came out of law school, and either we're going to take this firm to 25, 30, or 40 lawyers.

I didn't have my sights on 100 lawyers. Or I'll merge with a big firm, and I negotiated with Wexler. And by the way, we paid off Wexler in three years everything that he wanted. We paid him off in three years because we were really hitting our stride in the '70s because we started to get big cases.

*Diane Sigmund:* But you kept his name.

*Ray Shapiro:* Oh, yes. We felt that because –

*Diane Sigmund:* That was your identity.

*Ray Shapiro:* No, because in those days in the '60s, and we hadn't appreciated yet, the law was parochial. You pretty much handled what was in your jurisdiction, and so a lot of the work that came to us was referral work. Lawyers who were around the country knew the name Wexler Weisman, and we didn't want to give up that name.

*Diane Sigmund:* But you did change the name slightly.

*Ray Shapiro:* We changed it slightly to add Leon Foreman and then eventually my name. And when we merged in Blank Rome, it was called Wexler, Weisman, Foreman, & Shapiro, but so many lawyers from around the country sent us work. So if they had a bank that was making a loan in Philadelphia and there was a bankruptcy, we were engaged to be the counsel. Not just local counsel, but to handle it, and we were referring our clients to other law firms. And so a lot of the business was referral work. The collection business that we

had from Dun & Bradstreet and Merton Credit Indemnity were direct clients.

But we were shifting from doing collection work and creditor work to representing banks and financial institutions, and that was the major change for us, and we wanted to keep that name because there were banks around the country now that were not making loans just locally. They were making them all over, including in Philadelphia, and we wanted that referral work, so we kept that name.

*Diane Sigmund:* And what were some of the clients that you acquired at that time?

(30:00)

*Ray Shapiro:* Well, the clients that were really the major change for us that we acquired were in Philadelphia. The banks around the country were sent to us because lawyers had confidence in us and knew we were doing bank work in Philadelphia, and so the big clients we picked up in Philadelphia were Girard Bank, which later became Mellon bank, Philadelphia National Bank, which later became CoreStates, which –

*Diane Sigmund:* Which later became.

*Ray Shapiro:* Which later became – everybody later became – the one thing in my career that I watch was how Philadelphia gave away the banking business to other jurisdictions so that all the major banks had their major offices not in Philadelphia. It was a very sad thing to look back at all these wonderful banks and see them make that mistake, but we represented First Pennsylvania Bank, and we got – later got some work from PNC, which was Pittsburgh National, which later became PNC, and these banks started to flow in some very serious large engagements. And as a result, we gave up our collection practice because it was creating a conflict.

We couldn't represent the unsecured creditors and also be getting all this bank work, both directly and referrals from around the country. And in 1971 for me, that was the explosive year because that was the year that I think I got Botany Industries and represented Girard. That was one case. Dolly Madison Ice Cream was another major case, and we had one or two other bankruptcies, and that elevated – Penn Fruit, I think, came in in the early '70s. And that really elevated me to another level as a lawyer because I had started to do lending work. Now I was doing the back end getting them out because our firm was a creditor's rights firm.

And I was shifting away from civil litigation in the Pennsylvania courts into the federal courts and developing our practice for banks and financial institutions.

*Diane Sigmund:* And did your work become more nationally oriented at that time?

*Ray Shapiro:* It did. Lawyers started to think about doing things around the country. But still, the major cases that I was in were still coming mostly from the local banks, but having represented Girard, it got me involved in national cases because in those days, a lot of the banks bought big participations. They didn't have the talent to be the first chair of the administrative agent in bank loans, so Girard bought major pieces of major loans.

And as the '70s moved along, some of those major loans went under, so Girard got me into some very significant cases in New York like ITEL, which at that time I think was the biggest case under the bankruptcy code in the '70s, and it also got me into a case like Chrysler where Chrysler was a huge collapse. And at that time in 1979, so in the '70s, Girard got me into these and many other cases, and as a result, I started to go to New York for Girard, and I started to meet all the New York lawyers and the guys at Wachtell and Weil Gotshal who – and lawyers in other firms that got me into this level of the law and into the New York marketplace because our clients had participations in New York bank loans.

*Diane Sigmund:* Did you also do some real estate work at that time?

*Ray Shapiro:* Yes. First Pennsylvania turned over to us some of their big real estate work. We had REITs that were collapsing, and Girard had big positions in REITs, and so we were involved in some significant real estate workouts. Leon Foreman in that time represented the trustees, and Martin Decker, who is one of the biggest developers in Philadelphia, and I represented First Pennsylvania in the Seltzer restructuring where they were also one of the biggest real estate developers. And so we spent a lot of time in the '70s and going into the early '80s in real estate workouts as well.

And having done a lot of real estate transactions at that –

*Diane Sigmund:* And you know the form.

*Ray Shapiro:* I knew the forms, and I also had the closings and did real estate transactions. One of our main practices before we got into the banks was what I would call the small – some of them family

owned factoring and finance companies. Like Rusch Factors, Shapiro Brother Factors, James Talcott, which was much larger. These were eventually we got a major finance company called Aetna Business Credit, which really went out into a different position in the marketplace, and lawyers in Connecticut refer them to us, and we handle their local work.

And so the finance work that we had back when I started in 1960 where we had a few of them, and mostly factors, they were going into asset based lending. We were doing their asset based loans and doing them very well, and then the banks came in and bought some of them, and you can see that as it got larger and larger, we got bigger and bigger. And that's how the deals grew. Eventually

*Diane Sigmund:* How many lawyers were at the firm at that time?

*Ray Shapiro:* Well, in 1984 when I merged into Blank Rome, we had 18 lawyers, and we were going to go to 30. We just – I was trying to negotiate some mergers with some other small firms, and it was either to grow because I needed more people or because the cases were just getting bigger and bigger or go to a big firm, and I can come back to that as to why I should have been –

*Diane Sigmund:* Were you experiencing competition from the large firms?

*Ray Shapiro:* Yes.

*Diane Sigmund:* For this very good legal work?

*Ray Shapiro:* Yes. The big firms were in, and the big firms were upset that we were getting this bank work. The reason we got the bank work is in the beginning, those banks gave us their worst workouts. They were dogs. I mean they were so impossible, and we were working them out, and we were getting recoveries, and the bank loan officers who were in workout I think came to realize that we could get good results, and they wanted good results. So as a result, we started to get better cases, and we got to know the head of workouts at these banks, and they put us into terrific cases.

I remember in Philadelphia National Bank, we were handling some routine stuff. I did some loan work, and they had a huge collapse. They had a farmer with 600,000 chickens, I think. And we represented them in that case. I remember being tough and ornery with the farmer. The farmer said, "If you don't like what I'm doing, come on up here and feed your collateral," and as a result of

that, I put a sign up on my wall which said, “Never lend on anything that can eat or be eaten,” and I learned about what eating collateral meant. But having that case, which was the biggest workout at PNB, told us that we had arrived, and we could compete with the big firms for this business, and the big firms were upset that we had taken this core of business because they had allowed that to happen. So that comes into –

*Diane Sigmund:* In 1983 you landed a very significant engagement still at the boutique firm of Wexler, Weisman, Foreman, & Shapiro.

*Ray Shapiro:* You got it.

*Diane Sigmund:* Which would have been the Baldwin United case.

*Ray Shapiro:* That’s right. And that – getting all these big cases was one thing for banks, but we got an opportunity to pitch a creditors committee, and while we denied it because now, we were trying to maneuver to get positions in bankruptcy under the new code because we no longer had Chapter 10 and Chapter 11. Most of the cases were now Chapter 11, which was a combined, and if you could get an engagement for a creditor’s committee, we weren’t really doing a lot of debtors’ work. That would be terrific, and somebody gave us an opportunity to pitch the Baldwin United case because the lawyers for one of the committees had a conflict. I flew to Cincinnati, Ohio.

I pitched the case with Leon Foreman. The other people pitching against me were all big firms, by the way, and by the time I landed in Philadelphia, they had selected us. And Baldwin United was the largest bankruptcy at that time in the country and involved all kinds of problems, and it involved over I think \$9 billion worth of assets and claims. That was a dramatic change for us that we as a small firm could get a case like that, but I knew we were lucky. My sense was the cases were really big, and the big firms had arrived. And so I knew that with a game changing, we had to do something different. Either immediately build Wexler Weisman into a much larger firm or merge with another firm.

*Diane Sigmund:* And you ultimately as we know merged into Blank Rome. Why Blank Rome?

*Ray Shapiro:* Blank Rome had a banking business, and other firms were after us, but for whatever reason, they just didn’t seem ready. Blank Rome had an excellent bank relationship with Continental Bank, which they were general counsel, and they had some talented people in

the lending area. And I wasn't only looking just for bankruptcy, but I was also looking for bank work, and they had people that could do banking issues, and they would do bond work because I thought we could get more bond work and bond workouts.

They had a department that was ready to go. We talked to another – a number of other law firms, but I must tell you that they – they primarily were looking for me as a young rising star and Leon Foreman, and I refused to merge with any law firm unless they took all our orders.

*Diane Sigmund:* And I thank you very much for that.

(40:00)

*Ray Shapiro:* And I just thought that people were loyal and worked hard, and we were collegial, and I wasn't walking out on people. And Blank Rome – I pointed out to Blank Rome that if they took our group, we would have the best banking and lending group and bankruptcy group around, and they should take all of us, and it wouldn't harm them, and Blank Rome agreed to take all of us. And it worked because we still have a major practice here on the banking side and asset based lending, and Blank Rome is recognized as one of the best banking practices in the city and in Pennsylvania to this day. So it was the right move.

And that's why I picked Blank Rome. I also decided just by way of some humor that I knew we needed a bigger boat for Baldwin United, and I saw the movie Jaws, and Roy Scheider was on the boat with Robert Shaw, and Jaws came out of the water, and Roy Scheider turned to Robert Shaw and said, "We need a bigger boat." And I saw that movie, and the next day I called Leon Foreman, and I said, "Leon, we need a bigger boat." And we came to Blank Rome in 1984 in the middle of Baldwin United, and I used 30 lawyers at Blank Rome to help me get through that case, which I could not have done and handled all the issues in the last two years of that case without doing that.

*Diane Sigmund:* Did the merger also change your practice in other ways?

*Ray Shapiro:* Yeah. It allowed us to get bigger engagements, and it allowed us to go after bigger engagements, and it also allowed us to full service a case. Before we were bankruptcy lawyers who were usually combined with some people doing the corporate work and environmental work and things like that. And so yes, I was now able to call on all the multi-talented people at a big firm to handle

these large cases. I must say that the next big case I had after Baldwin United was LTV Steel. LTV won because it later reorganized and then went under, and in that case, I pitched the Parent Creditors Committee in New York in 1987. Baldwin United finished in '86, and a year later, I had some cases in between.

I pitched the committee and got it, and the people who hired me, some of them were in Baldwin United wanted us to handle it, but they told me in no uncertain terms that had I been Wexler Weisman, I would have never gotten the LTV engagement because there I needed a whole host of lawyers, especially environmental lawyers and corporate lawyers and tax lawyers, and they would only go to a full service law firm. So you can see how the practice of law changed in bankruptcy for the big cases that by the time you're into the mid '80s, people were into full service law firms, and the big firms had arrived, and the big firms were swallowing up the boutiques like mine.

So eventually in the '90s, for example, Mike Cramers who survived at Levin and Weintraub and Cramers. He eventually went into Kaye Scholer. We in Philadelphia went into Blank Rome. Jack Rose, who is an outstanding lawyer in New York and a creditors' rights firm emerged into Stroock, Stroock & Lavan. Ron Trose was Shutan & Trose on the west coast. He went into Sidley in Austin. So all of us who were practicing at boutiques and were referring work were now into big firms, and we weren't referring that stuff to each other because the big firms were practicing all over the country.

So our referrals would have also dried up from other lawyers because they would just ask us to maybe be local counsel and introduce them to the court, and that was another reason to merge our boutique into larger law firms because our referral sources were going to dry up because those people were going into big law firms, and that made a difference in the practice of who you were competing against.

*Diane Sigmund:* Did you at some point take a leadership role in your new firm?

*Ray Shapiro:* Yeah, after a while –

*Diane Sigmund:* They got you.

*Ray Shapiro:* After a while, they captured me, and eventually, I did, and I spent a lot of time in management in Blank Rome without a title. I

became very close to the managing partner and tried to be helpful, and because I had run my own small law firm and had views about management, I was used here at Blank Rome. And from a management standpoint.

*Diane Sigmund:* And Blank Rome did then and even more so today has a number of offices. Correct?

*Ray Shapiro:* Yes. They eventually asked me to go to New York, and so in 2000, we brought in 70 lawyers from Tenzer Greenblatt, and I went to New York and had an apartment and went back and forth for almost eight or nine years as the liaison partner building the New York practice. Today, we have over 100 lawyers in New York and a very successful operation in New York. And then later a few years ago, they asked me to go to Hong Kong to try to develop an Asian practice. So my management skills were here with Blank Rome and there in New York especially, and then in Hong Kong. But you know, Diane, if you look around, you will find that a number of bankruptcy lawyers have become the managing partners of their law firms because in bankruptcy, you learn how to manage crisis and you learn that tomorrow will – the crisis won't be as bad as it is today, and you – cool hands will prevail.

So if you look at Kaye Scholer, Mike Cram became very active after he merged into Kaye Scholer. Myron Trepper went to Willkie Farr & Gallagher and became co-managing partner of Willkie Farr. Bill Pearlstein when they merged with Wilmer Hale of Wilmer Cutler Pickering and Hale and Dorr. Bill Pearlstein became co-managing partner of that firm. So it is interesting, and I'm only mentioning a few.

Ron Trose became very active in the management and the executive committee of Sidley in Austin because law firms have found out that people who do big Chapter 11's and manage these cases understand the skills that you need to maintain a low-key simmering personality throughout the process because the next day, it's still going to be there. This is not a transaction that closes. These cases last for a while, and you've got to manage people and manage cases, so it's not unusual for me to be as active in the practice of Blank Rome because that was what's been done at other law firms.

*Diane Sigmund:* These significant bankruptcy cases, significant in assets and liabilities, the complexity of the legal and factual issues, the

diversity of the business, perhaps you could run through some of the more interesting engagements you've been involved in.

*Ray Shapiro:* Sure. I've had in a career now that's been over 50 years that I can think back only three solvent cases, and that was US Gen, which we recently closed, although we're still litigating something in the fourth circuit.

*Diane Sigmund:* And when did that begin?

*Ray Shapiro:* That began in about 2005, I think, 2006. Maybe even earlier, but it's amazing. One piece of litigation is now in the fourth circuit, but we pay creditors 100 cents on the dollar, and the claims were over \$1 billion. The other course was Today's Man, about 20 some stores retailer. We reorganized them. They were solvent and got through that process. They later became Yesterday's Man because they went bankrupt again and went out of business. And the third case, which I recently finished about a year ago, was Adelphia Communications where I represented one of the major banks in the operating companies, and Adelphia was also solvent. I mention that because I have found that solvent cases can be more difficult than insolvent cases.

And there is a whole host of issues that develop in those cases. And although I had a few, they were very complicated.

*Diane Sigmund:* Why are they more difficult?

*Ray Shapiro:* Well first of all, people will challenge you for filing, that it's not a good faith filing, and that it was done in bad faith to maneuver somebody. Secondly, you've got to establish interest payments because as everyone knows, there's no interest on unsecured claims. The claims are cut off the day of the filing of the petition. Interest no longer accrues for unsecured claims, but if you're solvent, you can claim interest. Well, at what rate? And is there enough cash to pay interest? And then if there's going to be a reorganization, how do you value equity?

Because you're going to have something going back to the shareholders, and maybe equity will also partly go to the creditors to pay them in full. So you've got an equity evaluation. Then you have little issues like does the cap on a landlord's claim apply if the company is solvent? Does the cap on an employee's damage claim for rejection of an employment contract apply if the company is solvent? And do you still have rights to avoid these actions? Can you bring a fraudulent transfer or preference case

where the company may have been insolvent at the time, but you're paying everyone in full? That issue went to the second circuit in Adelpia where I spent a lot of time on the brief working with other lawyers in the case, especially Wilmer Hale which took the lead in writing the brief.

(50:00)

I did a lot of the work in the fraudulent transfer area because I seemed to have some considerable knowledge on that. So the first thing I learned is that solvent cases are few and far between, but when they come, they create quite a bit of complexity and quite a bit of very difficult negotiation. So they were very interesting and different cases.

*Diane Sigmund:* How about the insolvent entities?

*Ray Shapiro:* Well, from – from an insolvent standpoint, I mentioned LTV and Baldwin United. I had a case that I was thinking about. I think it was called – it was a communications case. I frankly don't recall the exact name, and I have before Judge Lifflin in 1987, and I came up with the idea that my client, the bank, was being sued, that if we could get the exclusivity lifted, we could file a plan and settle the lawsuit against my client in the lawsuit. And everybody said, "How are you going to do that?" And I said, "I think we can do it."

*Diane Sigmund:* In the plan.

*Ray Shapiro:* In the plan. So I said, "Because the plan can settle debtors' litigation." And Steve Case represented the Unsecured Creditors Committee. Brilliant, brilliant lawyer, and from Davis Poe. And Steve said, "The debtor is a pain in the neck. If you do it, I'll be supportive," and we filed a plan, and we settled the case, and the debtor went ballistic. But we left equity for the debtor. That case, I think, we argued we would give them something. Maybe it was token ransom. Maybe it was solvent at the end. I don't recall. Maybe that's my fourth solvent case.

*Diane Sigmund:* I'm not clear. Who was your client?

*Ray Shapiro:* My client was one of the banks being sued, and there were two other banks, and I was general counsel for all three banks. Each bank had its own lawyer. And Judge Lifflin wrote an extensive opinion in that case approving the plan that settled the claim against my client. So I thought that was pretty damn creative, and

bankruptcy lawyers have to be creative, and the law is there. I did have the support of the unsecured creditors. The only one against me was the debtor. We isolated the debtor, and that was, you know, most interesting.

As a result of that relationship with Steve Case, and I also knew Steve from being members of the National Bankruptcy Conference, Steve put me in one of my more interesting engagements, and that was in the Arthur Anderson collapse. Steve was special counsel to Arthur Anderson, which by the way, never went into bankruptcy, and the advice there was just brilliant. But he felt that the partners at Arthur Anderson should have the benefit of independent advice because they were all exposed to potential liability. As you may know in limited liability professional organizations, some states have partial shields and some states have full shields.

And a partial shield state like Pennsylvania, you're insulated from malpractice, but not from the general obligations of the partnership. I believe at that time in Illinois where Arthur Anderson had its base, there was no LLP even partial shield. I believe you were liable for everything. So there were over 20,000 people working for Anderson, and Steve got me involved in representing the partners because the government got a verdict there, and Anderson – nobody would use Anderson because they were tainted by that verdict, which eventually –

*Diane Sigmund:* What year was this?

*Ray Shapiro:* You know, Diane, I just can't recall when it occurred. It maybe was in the early 2000s, and I went to Illinois and looked into the eye of the camera to speak to all of the partners all over the country about what they can do. We had to advise them about insulation from liability, whether their pension plans were liable. As is typical, whether partners who borrowed money from the bank and now have to pay back the bank, but their capital is wiped out. That was an issue. Every state had its own views about whatever exempt assets and non-exempt assets. So we spent a lot of time advising the partners, and it was a very sad experience, but a unique experience in seeing a professional organization collapse.

I don't believe since then the government has pursued organizations like they did Anderson the same way. Today, they may bring action against individual partners, but not the entire organization because once they did that, they put them out of business. Now maybe the government wanted them off the street

and maybe they didn't care, but it was very sad to see the Supreme Court reverse the finding in Arthur Anderson, but it was too late because they were out of business. So I would say that was a unique situation.

And the other one that I wanted to mention was Reliance Insurance Company. There I represented the insurance commissioner of the state of Pennsylvania in the liquidation of I think one of the largest liquidations of any insurance company in history. The holding company went into bankruptcy in New York, and the insurance commissioner needed representation, and I learned a great deal about insurance company collapses and relationships with holding companies, and that was a massive case and a great relationship. So yeah, I've had my fill of some very interesting cases, but I think that the one that I had the most fun in was being appointed the mediator in the Barneys case.

As anyone who was living and breathing knows, Barneys is a destination store in New York on Madison Avenue. And the third generation of the Pressman family took over ownership, and the third generation of a major Japanese company took over ownership, and the bloodline ran too far in each family because they put themselves together, and Barneys, low and behold, that men's clothing store on 61st and Madison involved over \$1 billion of problems.

*Diane Sigmund:* Whoa.

*Ray Shapiro:* And it was huge, and it was World War III. It was the Japanese and the Pressmans fighting. Judge Garrity appointed me the mediator because the parties agreed on me, and I had to come in and get them to agree on trying to sell Barneys. I wound up helping them reorganize. I become the plan facilitator, and –

*Diane Sigmund:* And this was in New York.

*Ray Shapiro:* This was a New York matter. I am a New York lawyer because I waived into New York. So I'm both a Pennsylvania lawyer and New York lawyer. And I had more fun doing that because I didn't have to decide anything. All I had to do was mediate these crazies. And you and I are now sitting on a floor here at Blank Rome doing this interview, which is a floor of conference rooms. It's a conference center. And I had to mediate one afternoon in Barneys in a conference center at Weil Gotshal where the Japanese and the Americans were negotiating a new lease for the building. The Japanese owned the building. And they were so angry at each

other that they all got up and walked out, and the only person in the room was me.

So much for controlling mediation, but that can happen. So I called my wife and said, "I'm coming home early for dinner," but I eventually went down the corridors of Weil Gotshal, rounded them all up, and brought them back in. The – if you're a mediator and you watch others, you really learn something about your own practice because sometimes you're lost in the forest because you're aggressive, you're pushing, and when you step back and watch others and watch how they do it, read their briefs, and see the negotiation strategy, just in being in that position, I learned so much about maneuvering and taking legal positions in a case and by watching that.

So you of course had a distinguished career as a judge. I'm sure you saw the same thing in your courtroom as you watch lawyers and you grab the case and you watched how they do things, and I've learned that by mediating. I mediated some other cases, but that was my big claim to fame as a mediator.

*Diane Sigmund:* And what year was that if you can remember?

*Ray Shapiro:* I don't.

*Diane Sigmund:* Try to give me a little timeline here.

*Ray Shapiro:* I can't. I would imagine the Barneys case was in the late '90s. It could have been in the early 2000s, but maybe the late '90s when I did. I'm sure it was in the late '90s when I did that. And got to know, again, many of the New York lawyers, but they already at that point knew me, and I think most of them were afraid of appointing their friends. And they didn't want, at that time, they wanted a bankruptcy lawyer to help mediate it because I did what I was supposed to do which was to also facilitate their plan and help them get through it. They wanted an active bankruptcy practitioner, and they agreed on me, and it was a wonderful engagement to do that.

So I would say, you know, that's interesting. I can't summarize all the cases. I'm just giving you examples of some of the large and exciting cases that I have been in in my career, but I also learned a lot about a lot of businesses. Professional organization that went under, a communications company that went under, the steel industry, the insurance industry, retailing, a major utility, healthcare. I was very active in the Allegheny Hospital Collapse

here in Pennsylvania, which was I think the biggest hospital collapse in history and may still be the number one hospital collapse in our country.

(1:00:00)

I represented one of the largest creditors and a member of the creditors committee. I've served representing a member of creditors committee, one of the largest Japanese suppliers in the General Motors case. So I was exposed to the automobile industry, and certainly those cases and how you maneuver through, you know, Chapter 11 and selling a company – I'm not going to go there. Overall, you bring the same talent that you have and your experience to every case as a negotiator and a litigator. But you have to look at the particular industry and find how you can have a successful Chapter 11 if you're looking for a reorganization in that particular case because of the particular issues that are generated and the chances of success for that company coming out and the economic environment that that industry lives in.

So for example, in the steel industry, could they really come back? And issues about the ability to compete can be different from a hospital, which has public interests involved, and can you find the financial wherewithal to support a hospital to come out. The likelihood there is that it probably won't. So then you begin to focus on well, you're really negotiating how to divide up the remaining worth of a troubled company.

But if you take a retail case where somebody has a lot of stores and you figure you can cut it down to a core number of stores, then you set a different goal, and you try to reorganize that company in that industry because it has a better chance maybe of coming out. So it's a challenge because you can't assume that because you're knowledgeable and a talented lawyer that you're going to succeed in every case. You can't look at it the same way in every case because you've really got to understand what the company is all about.

There's another point that I learned from Leon Foreman and Barney Shapiro, and that is sometimes when you come into a case, you do things for the benefit of the case. I may have said it before and I repeat it. If you want the case to succeed in my era, we cared about succeeding. If you want the case to succeed, you do something that benefits the whole case, and then everybody has a chance of coming out. Today, you don't see a lot of that because you just see more litigation as people negotiate for their position.

Those are just some thoughts, and when you think about it, it's a pretty exciting career that you get exposed to all those industries in – when they're in extremis and not just by doing mergers and acquisitions because MNAs are how you buy or sell a company. But in bankruptcy and restructuring, it's how you can keep a company alive, and you're more looking at the operations and the debt side of the balance sheet and how you can restructure it and have a viable business, and also give value to creditors. And it's a people business.

So it's different from an isolated litigation or an isolated MNA transaction because most of these restructurings and bankruptcies take months if not years, and you really learn a great deal about the economic environment of various industries, and that was always very challenging to me.

*Diane Sigmund:*

Ray, in the 53 years that you've been a lawyer, you've seen many, many dramatic changes in the practice of law generally and bankruptcy law in particular, and we've talked about some of them. Earlier, you referred to sort of the demise of the bankruptcy boutique and the ascendancy of the corporate firms doing bankruptcy practice, and you indicated that it was because of the complexity of the cases and the difficulty of the cases. But how did it affect the relationships among the lawyers?

*Ray Shapiro:*

That's a good question. I think some of the collegiality that existed when I first started to practice is gone. We had to cut more deals and move cases along because we didn't have the depth of troopers to litigate, and the marketplace had not changed into a lot of distressed debt buyers who were looking for spreads. Most of our cases were vendors who wanted to get the company liquidated or reorganized quickly so that we – the boutique firms knew each other and had a collegiality, and the judges knew everybody. It was not a large practice.

Today, the cases are so much bigger in Chapter 11. I'm not talking about consumer cases, although consumer cases have certainly expanded because you have an average of a million and a half individuals going bankrupt every year for the past several years. Some are certainly over a million so that bankruptcy courts are loaded with Chapter 13's in some jurisdictions and Chapter 7's. There I'm not talking about that because I don't practice in that area, but in the Chapter 11 cases and even the non-bankruptcy cases where you're trying to do a deal out of court, the cases are

bigger, and the complexities that are added to it are bigger, and I think some of the collegiality has been lost. I really do.

But yet, I still find that with some of the players that you know in the mega cases, they do try to help each other. There is that approach. Judges have said to me they don't see the same civility in the cases when they sit on the bench and they have tough situations. There's litigation and the civility that used to exist doesn't – isn't there, but there's still plenty of it. But I think that there's been some corrosion in that area.

*Diane Sigmund:* What was it like being part of a seven-person firm in those days?

*Ray Shapiro:* Very collegial internally in the office. The plus of a small firm is that you can really enjoy each other. The negative is if you have one or two people who are a little crazy, it's hard to manage that within seven people. We didn't have that. And we were very fortunate, but in a big firm, we have 500 or 600 lawyers. If one or two lawyers in your practice group are hard to handle, so what? You get another 15 or 20. In a firm of five or seven, if one person is difficult and irascible, it's like a bad apple in the barrel. It spoils the rest of the barrel.

So there is a risk that you could have a crazy within the group, and it makes it more difficult to practice, but I was fortunate enough that within the small group that we had, everybody just got along. We just saw it – a right. In those days, you could sit around on Friday, go over to the water cooler at the end of the week like you see on television, take a paper cup, everybody would pass around a bottle of scotch, you would sip the scotch or vodka, whatever they were drinking, and you would talk about the week and what you did and feel good and go home for the week.

And although usually in that small group when you say, "How do we do it," almost all of us were in on Saturday. We worked Saturday, and I – we worked nights, and we worked Saturday. So it was a different environment. And also, we weren't keeping hours. A lot of the fees were based on –

*Diane Sigmund:* No time sheets.

*Ray Shapiro:* There were no time sheets. In the very beginning there were no time sheets. Then we went into time sheets, and the whole game changed, and then you were very focused on what you were doing in billable and non-billable. The first time sheets we had were little slips that we – we had a bookkeeper that entered them. Then

the computers came out and computerized it. So it changed that game. But today, our practice group, you know, we have over 20 lawyers. We don't sit around every Friday.

People are all over the place. Our practice was parochial then. We were all in town. Today we've got lawyers all over the country running around, doing cases, and they may not be here on Friday to celebrate. And today, of course, Diane, when we have scotch or some other drink, it's in a crystal glass. It's not in a paper cup at the water cooler, and there's a private stocked bar. So it's a little different. The game is a little different.

*Diane Sigmund:* And you tend to communicate a little differently in this digital age, I would assume, even when you are in town. Email and the like.

*Ray Shapiro:* If you're asking me what dramatic changes I have seen, I really believe one of the most dramatic changes in the practice of law is the use of e-mail. I don't have mail anymore. When I came in in the morning, I had a stack of mail. Everything was sent to me. I have packages to open. Today, the agreement is done or the pleading is done at 10:00. You circulate it to a team, and at 11:30, you get all the comments, and you're done. A recent case, the Adelpia case that I worked in, there were 18 banks defending a lawsuit. We had a complete master list of everybody, and you wanted to communicate, you just hit a button. It went to 18 people, and then you had responses.

And it was all done by e-mail. I don't think we ever, ever had any hard copy to correspond with each other amongst 18 lawyers. Well, the speed of the practice is just huge today. There is no think time. You react very quickly. Everybody expects you to respond.

*Diane Sigmund:* Is this good?

(1:10:00)

*Ray Shapiro:* And I think it's good. For me, it is. Every once in a while, you have to say, "I'm sorry I'm not responding. I have to think about this." But I think the most dramatic change that I have seen is the ability to communicate by e-mail. You file all your papers in court by electronic filing. You serve everybody by electronic service, and the practice moves. And so I believe that on a productivity level, my hour is much more productive today than it was when I first started to practice. I am incredibly productive, and when I get on a train, my Blackberry is on, and I'm communicating. And if I'm in the back of a cab, I'm communicating.

Every place where I am except maybe an airplane where I've got to turn it off, every place where I am, it becomes a moving office. I'm always connected, and it's just I think it's wonderful. I love it. I have never resisted the electronic age of training. I thought the fax machine was wonderful until we got into electronics where I can have a 50-page attachment and send it to you when an hour later, you can respond. I just think it's terrific. So I rate that on a communication level one of the most important changes in the practice.

I'm sympathetic and sensitive to young lawyers who have to learn how to think faster. They're learning, and they come in, and suddenly, if they're included in this e-mail, you've got to respond quickly. They're expected to do it, and they have to learn how to think quickly. But they've been working on computers anyway. They used to e-mail anyhow. For me, it was a dramatic change, so they all think faster, and I think that's just terrific.

*Diane Sigmund:* I know this is your history, but I will tell you a story about you and thinking faster. As a young associate, I would come into your office, and you would be talking about the case and the issues, and I'd be writing things on a pad of paper, and you're going 90 miles an hour. Then I would have to go out and read my notes and try to make sense of what you said because you think so fast.

*Ray Shapiro:* Well, I will tell you that still happens. They walk in with a pad and pencil and shake their head because I go into liftoff. I can't help it. It's my style. And when I'm thinking and trying to think out of the box, I just let it come out, and who knows where it'll take me. But in any event, I'm sorry I did that to you.

*Diane Sigmund:* Well, it certainly helped me grow.

*Ray Shapiro:* And when you were on the bench, you could think quickly.

*Diane Sigmund:* No, I could speak quickly. You also mentioned that the practice has become more national, and I wondered how you saw the receptivity to – you know, of the court and just the bar to people practicing all over the country.

*Ray Shapiro:* Dramatic change at least in my opinion. In the beginning, it was very parochial. If we had a case outside of the Pennsylvania area, we would almost always engage counsel to handle it. And we would stay on the sidelines, and especially in the south. As the bankruptcy grew after the code, I think the code was a dramatic

change in bankruptcy because everybody was working from the same page, and it allowed you to have a national practice so that you didn't have receivers in Pennsylvania and debtors and possessions somewhere else. You walked into court, and everybody knew the game.

Sure, different jurisdictions may interpret it differently, but everybody was working off the same little mini-code. And when you walked into court, the cases got much larger, and the judges got used to lawyers from all over the country coming into these cases. And the reception was much better. Instead of using the local lawyer to make all the presentations, you use the local lawyer to introduce you to keep the case going when you aren't there, but you had no trouble hopping on an airplane, walking into a courtroom, and being well received. I have never had trouble anywhere that I've gone.

I, Diane, have been in courtrooms just to name a few in New York, Philadelphia, New Jersey, Delaware, elsewhere in Pennsylvania, Louisiana, Florida, Maryland, and Illinois just to name jurisdictions that come to me. In Florida and several different courtrooms, and Northern Florida and Southern Florida, and I've always been well received by the judge and well respected, and I think that the cases have become so large that the clients can afford to pay for you to hop on an airplane and leave in the case. But of course, the estate is sometimes paying for you as well.

And so that creates a problem for the judges as to how you effectively manage your case and whether or not you can charge for travel time. Those are issues that I think will always be out there. But I think that, too, has been a dramatic change. I'm totally comfortable in any courtroom I go to, and I have no trouble taking the lead. That change also in the intake of cases because lawyers from out of town would send cases to us, and we would be the first chair.

Now if there are cases locally, the lawyers ask us to help to be local counsel, but they come in, and they present the cases. They don't do it so while there's less – there's not a reduction in out of town cases because we'll go and handle them. Likewise, if the case is here, the out of town lawyers who are handling it will come here and present to the court. So it's a two-way street on that dramatic change.

*Diane Sigmund:* Well, one other change that in order to my benefit is the gender makeup of the bar. And do you have any observations about how that may have evolved during your practice time?

*Ray Shapiro:* I very much do. When I was in law school, I think there were three women in my class. I've talked to others around here and in the same timeframe with people in law school. We had very few women. When I first ran across women, I was a little startled that there's a woman practicing and I just wasn't used to it. Today, it's an absolute, you know, routine. I don't even think about the fact that there's a woman opposite me. I just think about the fact who is my opponent or who is opposite me and what their talent is and try to get a reading. I don't think of gender any more, and I hope that other lawyers don't think of gender.

But I think it's still harder for a woman who still has to raise a family. I have my own daughter who had two kids and works for a law firm. She's an economist in New Hampshire, so she has to raise two kids, be home, and try to manage that, and be a mother, and I still think that's a challenge for women in the law. But as far as the practice goes, I think it's wonderful. In Blank Rome, you became a judge, Bonnie Fatell became the practice group leader of a significant national practice, and now Regina Kelbon became the leader of that practice. It was routine, and if you look at Weil Gotshal or Jones Day or other firms, you see women that are well regarded on a national level.

The National Conference of Bankruptcy Judges has had women manage the entire judiciary conference. The last one was Barbara Houser who recently finished her term in office. So even in the judiciary, you have a lot of women who are judges today, and I think it's integrated now. I'm only speaking as a man. You may speak as a woman and say, "Well, maybe it's not as integrated as you think," but from my perception, the change has come through, and it's just routine. I don't think of gender when I'm at a case. I just think of who my opponent is.

*Diane Sigmund:* Do you think of gender when you travel with a woman lawyer?

*Ray Shapiro:* I did at one time think of that. I'll tell you where I also had issues, when I had women bankers. There's a lot of women in banking, and I had to go out of town on cases, and a judge – and I've lectured out of town on panels with women, and I have in the past traveled with you, which reminds me, Diane, of the famous story that you and I were involved in a huge case, I think it was Baldwin United, and we had to fly to California. Judy, my wife, was on a

FAM trip. She's a travel consultant, somewhere in Europe or Asia. And we decided to fly out on a Saturday night. The plane was late. We had to make a connection in Denver, and I remember you and I arriving in the hotel around 12:00, 1:00 in the morning, and walked up and asked for our rooms, and the desk clerk said, "I'm sorry. I only have one room."

And I said, "Really?" And he said, "Yes, your travel agent only booked one room. I don't have two rooms." And I leaned over the counter, and I was very irritable, and I was tired. You had to turn your back, as I recall, because I didn't know if you were going to collapse or -

*Diane Sigmund:* And I think I was giggling.

*Ray Shapiro:* Yeah, I think so. And I said, "Look, pal, you've got to come up with another story because you see the travel agent is my wife, and if you think she booked Ms. Sigmund and me in the same room, you've got to come up with another story," and he looked at me, smiled, and gave me a suite. Of course, I took the suite, and Diane took the regular room, and we were able Sunday to use the suite to work to prepare for the case. But that was one of the more humorous incidents of traveling with a woman, and my wife certainly appreciated that story.

*Diane Sigmund:* Well, are there any just in closing this little discussion, we'll need the dramatic changes. Are there any others that you would want to note?

*Ray Shapiro:* Yeah, I think the change of distress that buyers in the cases both buying bonds and buying claims is significant in the composition of the creditor body. I think that is a dramatic change. We see more ad hoc committees, people getting together to do that. I think that the Chapter 11's are very difficult on management. There's so much litigation that more and more companies are going in a liquidation. It's faster. You're in, you're out. If you've got buyers, get the heck out. I think the DIP lending has been a huge change of bankruptcy. Loan to own. The control in these large cases, the judge is struggling with all these provisions and harsh draconian provisions in the DIP lending agreements.

(1:20:00)

Benchmarks of achieving something or else you've got to liquidate. It has been a dramatic change. The DIP lending keeps a company alive. It accelerates the process to the benefit of the DIP

lender, and in some instances, the DIP lender could wind up owning the company. You have people buying secured claims today that could take over the company. In the Adelphia case, I believe the bank that which was used in the billions was eventually sold, resold, flipped, and I believe there were somewhere between 400 and 700 holders of the bank claims by the end of the case, and if you had to name them as a defendant as they did, there were pages in a complaint or a pleading that had to name them all that just went on and on because there were so many owners of the debt in that case.

And it was secure debt, and by the way, the banks got paid 100 cents. So the boys who bought it for a lower price did very, very well on the spreads in that case. So I think DIP lending has also had a traumatic effect. And something else that I want to say that really has surprised me, this is – you and I are talking here in 2012. The number of Ponzi cases are proliferating. I am floored. Every day, I read in the advance sheets another Ponzi case, another guy or gal going to jail. Issues in these Ponzi cases are huge. Very complicated issues about callback and what's going on in that arena.

And I am surprised that in this era in this environment knowing what happens to you, the crooks thrive. I think one of the surprises that I have seen, not in Ponzi cases but in cases where management has performed bad acts, I can't say it's criminal, but really screwed up, you don't see a rush to have a trustee appointed. The bankruptcy code was designed so if there are bad acts, if things haven't been doing well in management, you can appoint a trustee. And in most of these cases, you have a chief restructuring officer. You bring in a new management team. I see that the creditors are not anxious to have an individual trustee run the company.

They think from the optic standpoint of how it's perceived that a trustee means liquidation, and they want to keep it going. People who come in – Enron was an example. Steve Cooper came in. They didn't have a trustee. Enron, my God, people went to jail at Enron. But you didn't have a trustee. You had a chief restructuring officer, and therefore, the people who are in turnaround management and workouts are looking for these engagements as chief restructuring officers and bringing in a management team. That started with us in the '80s and Baldwin United when Peter Martosella and eventually took over running Baldwin United because they threw out management. Wasn't a trustee, was still a debtor in possession.

So the bankruptcy code was designed to have a trustee come in, and yet, it's not being used in bad acts. Now in criminal cases it could be different, but even in Adelphia, which was a huge fraud where some of the senior men went to jail, we – the creditors committee really managed things, and the company continued on with internal management. You didn't have a trustee. People don't clamor to have a trustee in its counsel. You do have liquidating trust. Then you turn over the case after you get out of 11 to liquidating trust, and that's what generates a lot of litigation and have examiners appointed today to investigate relationships and see what claims exist, and then the liquidating trust looks at the examiner's report, and they bring this litigation.

So litigation is not only stimulated by claims traders who are trying to get a better spread in fighting over plans. You have these liquidating trusts that are all designed to bring lawsuits against a host of people that in my judgment generates more litigation. You may say that's good, it's good for creditors. You may say it's bad because some of this litigation goes nowhere. I don't know. I don't have a statistical analysis of how well these things do. But I think liquidating trusts are now more prevalent.

Let me just say something in closing of this because you can keep going round and round in changes. And that is that the bankruptcy code has been amended every 40 years. Act of 1898, 1938, 1978. So the question is will they amend it in 2018 on their 40-year cycle, and will some of these things be addressed. How will it come out? I don't know because it's already 2012, so six years from now, you may have a whole new code.

*Diane Sigmund:* Congress may have worked a little faster in those days.

*Ray Shapiro:* Well, yeah, if they're polarized, it won't happen. I'm only talking about the business side. Certainly, there are real issues in the consumer side. And when you have over a million bankruptcies a year in the consumer side and addressing what your income is and whether you should leave money on the table or not, and the National Bankruptcy Conference is constantly studying that. Should a debtor who is earning money walk away, or should they pay something out of future income? That's still an issue that has to be addressed. So not only is it the commercial side maybe in 2018, but certainly there's a lot of controversy on the individual debtor side as to what we want to do about that.

Those judges who are just spending a whole day handling Chapter 13's and Chapter 7's and seeing the sadness that comes into our

society by people who can't make it, the bankruptcy laws have to be designed to have a fair approach to people who are economically not successful. And so that has to be addressed by congress as well.

*Diane Sigmund:* Well, let's change the subject a little. We've been talking about your law practice. You've been busy outside the office as well as in it. Let's talk about the American College of Bankruptcy, which you were elected to the first class. Were you not?

*Ray Shapiro:* Yes.

*Diane Sigmund:* And what year would that have been?

*Ray Shapiro:* Well, it was about 23, 24 years ago. I don't remember. This is 2012, it must have been the early '80s.

*Diane Sigmund:* Yeah, the early '80s.

*Ray Shapiro:* That the conference was formed. I was not active in the formation of the company.

*Diane Sigmund:* You were not one of the founders, but you were in the first elected class.

*Ray Shapiro:* Correct. I was not somebody – people like Dick Gitlin and – who was a personal friend of mine was active in that process, Jerry Patchen, who was a terrific lawyer and who eventually ran the US trustees' office under the code. He was one of them. Bill Norton was one. There were others, but I was not a part of that function. I believe that these folks got together and said, "You know, you have the American College of Trial Lawyers. Bankruptcy is big time today." After all, the code established a national code, and the cases in the '80s started to really get big, and bankruptcy lawyers were scurrying around the country, and I think these folks decided, "Well, we ought to have the best and the brightest come into the American College of Bankruptcy just like they would in the American College of Trial Lawyers."

So they got together and said, "Let's have this organization," and that's how it started.

*Diane Sigmund:* Well, there's also the National Bankruptcy Conference, which you are a member of as well. What is the relationship as you perceived it as you joined the American College of Bankruptcy?

*Ray Shapiro:*

The National Bankruptcy Conference is very focused on legislation. The National Bankruptcy Conference existed in the '30s to help advise on the Chandler Act. So it has had a history all these years of limited number of professionals who belong to that. It's by invitation only. I feel very proud of having been inducted into that organization. It consists of 60 people, and they endeavor to limit it to 60 active people. It has about 40 lawyers, 10 judges, and 10 academics, and that is close focus on legislation. We review potential legislation, recommended legislation, excuse me, and common – and that's our function.

The US Trustee's Office wants to have new guidelines. They'll send them over to us, and we'll comment on them. We're also thinking out of the box and creatively trying to develop legislation in areas where we think the law ought to be addressed, and we meet twice a year. And then we have committees that are organized strictly on legislation.

The American College of Bankruptcy is much broader. That is not limited to 60 people today. It has 600, 700 people in it. And that is to cover all aspects of bankruptcy and what we can do to enhance the process itself. There, we are studying the court process and recommendations. We conduct seminars. National Bankruptcy Conference does not do that. The American College of Bankruptcy will have seminars. They will have annual meetings where we bring in people to lecture, and we'll have a whole host of activities. Huge pro bono of component in that process of the American College of Bankruptcy. We do so many things that help process.

(1:30:00)

So there is a distinction. The National Bankruptcy Conference is more philosophical and intellectual where you've got professors and judges talking about the practice and saying, "How do we do it on a legislative or rule making process? American College of Bankruptcy is much broader in its base, and because it has so many more lawyers around the country, they can accomplish a lot more and is divided into circuits. So each circuit can be helpful.

Right now, the American College of Bankruptcy has established a program, I think, when international law that's done by video, and it goes to law schools, and professors are using it. The college had Ken Klee do a book on the Supreme Court and a history of 100 years, I believe, of the Supreme Court and bankruptcy. So it's much broader in what it seeks to accomplish.

*Diane Sigmund:* And what was your – you came in the first class. Did you become active? What was your role?

*Ray Shapiro:* Yeah, not right away. I was very, very busy with the Jewish Federation in Philadelphia. I had a senior officer position in the federation. I was very committed to Jewish charities in the state of Israel having visited Israel many times. And so – and I was such a busy lawyer that I couldn't be active in professional organizations, and I prioritize to have the Jewish community. But I did not strive to be the chair of the Jewish community because that would have taken me away from my bankruptcy practice. In fact, I was so busy that I gave up writing some formbooks.

I just couldn't do it anymore, and so I focused on Jewish charities. When I finished that service, I turned to the American College of Bankruptcy because I had so many friends there, and I started to do some committee work, and I just got active there. I decided it was time to turn my focus to professional organizations, and if they wanted me to be in a leadership role, that was fine. If not, I was still going to become active. I wanted to be active and make a difference on the professional side. In Jewish charities, I think I learned that one person can make a difference, and I thought I made a difference in what I did for the Jewish community in Philadelphia.

And one person can make a difference. Get active and try to do things to be helpful. So I got active in the college.

*Diane Sigmund:* You ultimately became its chair.

*Ray Shapiro:* Yes, I became its chair in the '90s when Jerry Smith was the chair, and Jerry came to me. I think I was the vice president, and he said, "I'd like you to take over and become chair." I had just finished some cancer surgery, and I wasn't sure of that, so I said, "Okay, I'll do it." And Jerry really set the stage because I think I said this before. Jerry got Professor King and Trose and the others to join, and the college was now ready to go to the next level. And so I said to Jerry I would do it.

I thought I would only do it for two years, but I wound up doing it for four years. Frankly, I think it was a mistake. I think I should not have stayed that long, but they asked me to stay that long. I had a great president in Neal Batsen, who succeeded me. Jerry Smith thought that I could take the college then to the next level because I had some creativity, and I had experience in fundraising,

and I think he really wanted me to come in and figure out how to get the college at a higher financial level.

And I think the major thing that I did in my administration was establish the Patriots and Sponsors program. Today, that represents 50 percent of the annual revenue of the college. They were going out to people when I took over, and every time they had an event, they would ask lawyers and law firms to contribute, and it was crazy. You hoped you got the money, and you didn't get the money, and of course, you have your dues. And I decided to go one time and called people. Neal helped me with it, and eventually, today, I think we raised over some \$200,000.00, close to \$250,000.00 a year.

And it's still going on for 15 years. So that one program gave the financial stability to the college to function.

*Diane Sigmund:* And made possible the programs and the pro bono – proposed a program.

*Ray Shapiro:* Yeah. The college today, I think, has a \$500,000.00 annual budget, and half of it comes from patrons and sponsors. It's a huge amount. Law firms – so many law firms got involved in bankruptcy, and so many law firms have departments that do bankruptcy, and so many people are now involved in the college that we get these firms to contribute. And that program in my judgment made a difference. So the other things that I did in running it and doing things, that's fine, but that had the most lasting effect. I think the other thing that I did was in my administration, we established the National Bankruptcy Archives where this little interview will wind up in the archives. And that was established during my administration.

Certainly we did other things, but those two things sort of stand out. I had no idea that I had really been in a leadership position for over 13 years doing something for the college because when I was through being chair, Batsen and Piassa came to me and said, "We need a foundation." And I said, "I'm done." They said, "No, you're not," and they asked me to organize the American College of Bankruptcy Foundation, and that was established because there are a number of people like judges and academics that don't have business in law firms where they deduct the expense of joining a professional organization but wanted to give – especially helping out in pro bono.

And so we establish the 501C3 charitable organization where members of the college can give plus giving to the college and get a tax deduction, and that money would only be used for charitable purposes, not for running the college. A lot of that is invested, and it can go to pro bono. I think the reason it hasn't grown more today is you don't get a lot of money out of your investments. Interest rates are so low, and it's a risk averse organization, but it does allow for plus giving, and there's a board, and it does seem to work. So the foundation I got started with the help of a lawyer from Wilmer Hale. Bill Pearlstein was counsel to the college. And Bill gave me a non-profit lawyer who was an expert in that, and we organized the college foundation, filed the necessary papers, and got it started from scratch.

I was there for about four years. Since then, two other people have been chairs of that foundation, and I hope it will continue for its plus giving where people will donate money. I think the first circuit last year had 100 percent contribution from every member of the first circuit gave something. If we didn't have a foundation, we wouldn't have that money.

*Diane Sigmund:*

And for these accomplishments, you were awarded the distinguished service award. Could you explain what that award is and what it meant to you to receive it?

*Ray Shapiro:*

Yeah, that award is given to someone who has given back to the community in a considerable extent, not just in being a good lawyer and handling big cases, but who is I think – the award is to make a difference, that they – in the words of Professor Larry King, don't just be a taker. Give something back. So that award is given to people who have given something back. Certainly in professional organizations, maybe in their writing and lecturing, and making a difference in the community. I never even thought that I would receive such an award. I never looked at it that way. I looked at it that Leon Foreman, my partner, would get something like that or Ron Trose or Bill Norton. You know, people like that. And so when I was awarded that, it was very moving that my peers thought that I had given back to an extent that my career was so distinguished that I was entitled to that award.

And I felt very good about that. In life, every once in a while, you can feel good about yourself.

*Diane Sigmund:*

Well, I think you probably also should feel good about your work in the Jewish community, and you mentioned that was a significant

part of your outside activities prior to the college. Could you expand on that a little bit, what you were doing?

*Ray Shapiro:*

Well, twice they asked me to take over the Jewish publishing group. We have, I think, the second longest weekly publication of a Jewish newspaper in the country. And when they ran into difficulty, they asked me to become chair of the board, and now bring it out of its problems. Now instead of just being a lawyer, I was taking my talent and being a turnaround manager as a vice president and a whole host of projects, fundraising, and whatever was assigned to me. I got the insurance in the Philadelphia community, for example, straightened out.

Instead of having different brokers, we hired people that were on a fee basis early on, and the Jewish Federation was a huge purchaser of insurance for its agencies. And so things like that that you had in the practice of law. I even had a whole committee on women in the community when you were talking about integrating. There were so many more women now that were active and fundraising with women, and I had a whole committee about how to keep women active in the community.

And eventually, the Jewish Federation in Philadelphia has had several women who have become their chairs. So women in society eventually come into the charities and come into the professions because they're more active in everything. And so women in the Jewish community are no longer a gender issue. It's not a boys network. It's a people network.

(1:40:00)

*Diane Sigmund:*

Hear, hear.

*Ray Shapiro:*

You know, I was thinking and preparing for this in the college before we, you know, in that because I really also feel good about what I've done in the college and where it is today. I'm just not involved. I just attend meetings and watch it and just love to see that this thing continues at the level that it does. But there are two little things that I think maybe is not well known that I ought to mention in the college. One is Professor King. I persuaded Larry King to give the keynote speech at the induction ceremony in the Supreme Court.

Larry was suffering from cancer, and he was pretty sick, and he said he didn't know if he could make it because he was struggling

with his illness. I went to him I think in January and asked him to be the keynote speaker, and the meeting is held in March.

*Diane Sigmund:* Do you recall what year this was?

*Ray Shapiro:* No. I asked Larry to do it. He agreed. Larry came to the Supreme Court. Mary Scott got a car, picked him up. His son came down. Larry stood at the podium in the Supreme Court and delivered his famous speech on give something back. It was just beautiful. It rang such a beautiful note, and not only in the audience are there the new inductees, but there were about 300 people and certainly their families.

It was a magnificent speech. Larry was ill, and he gave that speech Friday night, and Sunday, he passed away. And it is remarkable that one of the last things that he did was to give that speech in the Supreme Court. The other incident has more humor to it. I had a call one day from Neil Batsen. He said, "We have a problem." I said, "What's the problem?" He said, "Well, the college directory came out, and we have a page called In Memoriam." And I said, "Yeah. I'm familiar with that. The people who passed away."

He said, "Yeah, we have Judge Keith London on that page." I said, "Wow, I didn't realize he passed away." And Neil said, "He didn't." I said, "What are you talking about?" He said, "Well, they made a mistake. They have him listed as having died." Oh my God, I said, "Are we insured? What are we going to do?" I started to panic. I'm the chair, and I've got this problem. And no less a judge should die. So I said, "What do you think we should do?" He said, "Well look, I know both judges. I've only met them in passing. I don't know them the way you do. You have a southern accent, and these guys are down in Tennessee, and you can give them the old boy talk."

I said, "I'll stay on the phone with you, but lets call Payne, I think, George Payne who is his compatriot there in that courthouse and ask George what he thinks we ought to do." So we get on the telephone. "George, how you doing?" "Hey, Neal, how are you? Ray, how you been?" "Oh, fine. We have a problem." "What's the problem?" He said, "Well, Keith London, we have him listed as having died." He said, "Okay. You know, I'm sure – why don't you just call him and tell him that he's listed as having died. He ought to enjoy that. I wouldn't – don't worry about it. Keith is a good guy. He'll understand."

I said, "Neal, you call Keith." He said, "I will." So he calls Keith London. "Keith." "Yeah?" "It's Neal and Ray. Listen, we've got you listed as having died," you know, with that southern accent, "In the college directory." And Keith London, there's a pause, and he says, "You just made my first wife a very happy lady." I knew we were okay. He said, "Don't worry about it, guys." I said, "We'll publish an announcement," and thank God it was just a guy with a sense of humor who fobbed it off. But that was one of the more humorous moments in my being a chair of the college, and Neal and I still talk about that.

*Diane Sigmund:* Well, was there any other points about the college you'd like to share with us before we go on?

*Ray Shapiro:* No, no, not at all. I think we were very fortunate to have the Supreme Court to have the induction ceremony. You know, Suzanne who was the administrative head really had that connection, and it worked, but I think the college has to get away from that now because we have a limitation on numbers. More people want to come to these ceremonies, so I think you will see a change in that process. But I think early on to – and in the Supreme Court chambers and bring your family really elevated the importance of being inducted. And wow, the family said, "You're being inducted into the American College of Bankruptcy for your work, and it's going to be in the Supreme Court of the United States."

Boy, that was pretty good. So I think that helped the optics of what the college was all about.

*Diane Sigmund:* Absolutely. You mentioned a couple times Leon Foreman, and he's so much an integral part of your professional career. He was your mentor. I can talk to the importance of mentors because you were mine. Could you talk a little bit about that relationship?

*Ray Shapiro:* Sure. When I came to the firm, Leon was in his 40s. Bankruptcy was just starting to really be elevated to a higher level. Leon would talk to me about this Professor Silicson in New York and how bright he was, and that bankruptcy was going to go to the next level. And Leon was right, and Leon as an academic with his background made sure that I stayed on the academic side of the law. And because Leon for his whole career cared about scholarship and winning cases because of his analysis of the law that would be applicable in those cases.

And at first, Leon and I didn't exactly get along because I was much more aggressive. Leon was much more laid back and timid. It was not as aggressive as I was. I soon realized that I had a different business drive from Leon, that I was more organized in that sense, and Leon was more scholarly. But the two of us together could do a lot. So I think at the end, I was mentoring him on the business side and how you could make a nice living in the law, and he was mentoring me on how to be a better lawyer because of how you stay with the law.

He taught me early on, you walk into a courtroom, and your opponent may be bouncing around and screaming and yelling, and you just stand up, make your argument, sit down, and have the better argument, and generally, you will win. So eventually, Leon and I reached a point where we were at the same level in how we talked to each other. And the magnificent part of that is when you're in a smaller law firm, you can close the door and sit down with somebody that you trust who will maintain confidentiality and talk about some of the disasters that you have to face in representing clients. I mean there are some real tragedies that come into your law firm, and you don't tell anybody, your wife or anyone, about what you're managing.

And you want to sit down with someone that you trust their judgment because after a while as you go through the law, people are really hiring you for your judgment. They assume you're a smart lawyer. They assume you know how to get it through, but they want someone that has solid judgment and can really help guide people through a process, and many times, we had to do that with clients, and Leon and I could trade off with each other, and that was a blessing. That's really helpful.

I do a lot of that with my son now. I have the good fortune of having a son in this law firm who got here before the anti-nepotism rule went into effect, and there are times when he and I can close the door and talk about some of the clients and how we can manage it. So in mentoring, you learn to trust each other, and it does make a difference in what you do. I feel that as a lawyer getting along in my career, I had a duty also to mentor other people. I believe that is from a generation to generation that you have a duty, and that's part of giving something back. You just don't be a taker.

And if you're giving something back, you want to help others become successful. I've often said to people whether you stay in this firm or you leave, I want you to be successful, and I want you

to bring the best talent that you can to what you do, and to succeed and not waste the talent that you have. So you mentor people. I remember once when I first came to Blank Rome, we had the most impossible case of a master limited partnership rollup of 100 partnerships into one where we had class action litigation, and we had to do it in 30 days.

All these lawyers sat around and said, "It's impossible." And I said to them, "Do you want to be a good law firm or a great law firm?" A good law firm will try, and maybe you won't get it done, but a great law firm will say, "Let's do it," and we can get it done. And everybody went out and pulled in less than the time we had said. It was accomplished. That client got out of a real jam, settled the class action case, created this thing. We must have had a team of 10 or 15 lawyers. By the way, a transaction that I could have never done in a boutique firm.

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And so I always feel that way, and when I mentor people, I say to them it's never the regular season. You watch basketball or hockey. The playoffs have a different intensity. So I believe that's what I should do, so yeah, I mentored you, and you became a judge. I mentored Bonnie. She became a leader. Regina, both of them passed the Delaware bar, and they're helping Blank Rome in Philadelphia, but also in Delaware because that, too, was a dramatic change in bankruptcy that we have offices now in New York and Delaware because we're trying to capture the activities in both jurisdictions where as before if we just stayed in Philadelphia, I don't think we'd have a practice today.

So it gives us opportunities. So in order to have people continue it, you have to mentor them. So I believe very strongly in mentoring, and I was blessed to do that with Leon when I was chair of the college. The college needed a scholar in residence, and I went to Leon, and he became the first scholar in residence, and the bar in Philadelphia recognized Leon because he became the first chair of the eastern district of Pennsylvania Bankruptcy Conference because everybody had confidence in him and trusted his judgment and that he would – Leon was a fair man. Fair with employees, fair with people that worked with him. So people naturally gravitated to him for leadership. He was a wonderful scholar in residence and got that whole program started. It was then followed by, I think, Alan Resnick, which we talked Alan into doing that.

It went on to Mike Tammen from Philadelphia and Doug Baird, professor out of Chicago, University of Chicago Law School. And I don't know who is doing it right now. I don't know if Doug is still doing it or someone else is. So Leon was a scholar in a National Bankruptcy Conference in his 80s. Even at 90, he would sit and debate a subject of a statute, and subtly, Leon would quietly raise his hand and say, "X," and everybody would stop, and damn if he wasn't right.

He was the only one because he was always focused on language and the code and the law, and he didn't miss a trick. That's why we had him around here until he passed away in his 90s because he stayed current, and that made him very valuable, and it also allowed us to have him mentoring not only me, but at that point, other young people. So I was a great admirer of Leon. As I said, Leon climbed – at his memorial service that Leon climbed the mountain and made his mark. Leon was a baseball pitcher in high school, and he was good. And Connie Mack from the Philadelphia Athletics was told, and Leon was given the chance as a tryout.

And so the A's then in the '30s, they were a great team. Leon went down to have a tryout as a pitcher. And Connie Mack came out and looked at him. He threw the ball, and Leon said that he knew he would never make the majors because the catcher threw the ball back to him harder than he threw it to the catcher. So his baseball career ended at that point.

*Diane Sigmund:* Lucky for us.

*Ray Shapiro:* Lucky for us he stayed in the law and didn't become a pitcher in the major leagues.

*Diane Sigmund:* Talking about somebody that is always right, we'd be remiss if we didn't speak a little bit about your wife, Judy, who has had a major impact on your development and success.

*Ray Shapiro:* I appreciate your mentioning that.

*Diane Sigmund:* She asked me to. Not really.

*Ray Shapiro:* I think I told you she fell in love with me because we were counselors at camp, and I led the white team, and I had white slacks and a white t-shirt. I often wonder if I had led the green team and I was dressed in green if she would still fall in love with me. So I guess it's lucky I was captain of the white team. But I think I said before at that level, wives were putting most of our

friends through medical school, dental school, and law school. We used to meet on Saturday night a bunch of us, and we had somebody at medical school, somebody at Philadelphia Osteopathic school, somebody in dental school, a couple of us in law school, and we all had working wives.

So we didn't borrow money in those days. We didn't have college loans. We just had to get through. My wife put me through law school and worked right into her ninth month when she was pregnant and really contributed and then became a corporate wife. So was very understanding when I came home at 9:00, 10:00 at night, was very understanding if I went in on Saturday morning and accepted the fact that I wanted to be a successful lawyer and provide financially for the family, and I always told her that if I achieve success as a lawyer by having the right reputation, the business would follow.

So I worked very hard at what I did, and she was very sensitive to that. And then as soon as the last child left the house, she went back to work. She raised the children, and that was her deal, and the moment it was done, she's very active. She went back to work, became a travel consultant, was so busy as a travel consultant that she had to hire a full time person to assist her in a travel agency, and –

*Diane Sigmund:* Maybe that was the person that booked us together.

*Ray Shapiro:* No, I don't think so. I think it was her. Maybe it was. Yeah, maybe she was trying to disrupt my marriage. So one of the great things that I can say is that if you're married to someone for 55 years who really understands you and who is sensitive – I mean went to all the conferences with me, helped in business development with me that you're very fortunate because I had a very stable home life.

And when you do, you're not distracted as a practicing lawyer. I was very fortunate to do that, and so I didn't succeed. We succeeded. I really believe in the pronoun we when it comes to husband and wife and what we have done. So I was very fortunate that we met at summer camp and had this relationship, and from that, we had nine grandchildren. So life is good. Life is good.

*Diane Sigmund:* We've looked backwards for most of our conversation. Do you want to maybe make some predictions about what you see in the future? What do you see on the horizon?

*Ray Shapiro:*

Well, one, will we amend the law in 2018, every 40 years? So we'll see where that goes. That's one possibility. I think we will see more focus on fees. I think these fees are used. The US trustee is trying to establish guidelines. I don't know if they work or not. But I think the optics in the community of these large fees are making people nervous about them. I think the courts are going to be more focused on them. I think these fees are earned. I'm not saying that they're not earned, but I think there's a cosmetic problem, and so they're going to have to set up standards at the end of the day.

Those fees will probably be paid anyway, but they may just set up a different process. I don't think it could just sit the way it is because the fees are too large and the public is too concerned about fees that are in the hundreds of millions of dollars. So I see that as an issue. I think there will be a continued expansion of the international practice. Law firms today are I think of the Am Law 100. I think over 70 law firms have a foreign office now. So 70 percent of the major law firms in the United States have at least one foreign office. Blank Rome is now in Hong Kong and Shanghai, and I don't know where else they'll go.

I'm not in management anymore, but it's the way of the world. Chapter 15 has really helped us focus on international practice, and it's growing. I'm involved in the International Insolvency Institute, and you just see more and more lawyers involved in that, addressing more and more issues that are international in scope because the companies today are international in scope. So I see a continuing growth in that area. We have a number of Chapter 15 cases that we've handled in the Maritime area, and so within our own firm, we are focused on that. I think venue in the future will always be on the burner.

Sometimes it will simmer, and sometimes they'll bring it to full flame on the front burner. You know, and especially focused on Delaware. Why does Delaware get all these cases? Why does New York get all these cases? Then it dies down, then it comes back. I can't predict the ultimate outcome of that that's out there. Some judges are upset about it. Not just lawyers, but judges. And to me, it works, and lawyers all over the country come to Delaware and practice. They're not just giving it to Delaware lawyers. I think the anger is that in every case when you walk into a court, you must have a Delaware lawyer with you.

So in other cases where I'm introduced in a pro hoc – the next time I come into court, I don't bring my local counsel if I want to go

myself, but in Delaware, you have to have local counsel. So it's a nice cottage industry, and I'm glad we're in Delaware, and I hope it keeps going. But I can't say more about that. I think one of the challenges is that we have more and more liquidations. I just wonder if congress amends the law in 2018, they'll set up a sub chapter on liquidating 11's. There are so many issues that come up out of liquidating 11's. And the process is quick. You know, I think maybe bankruptcy has to be addressed there. I don't think bankruptcy judges will ever reach Article 3 status.

I don't. I must say that to you, Diane. But it will solve a lot of –

*Diane Sigmund:* This is not a shock.

*Ray Shapiro:* It is not a shock to you.

*Diane Sigmund:* I quite agree with you.

*Ray Shapiro:* I just don't think it's going to happen.

*Diane Sigmund:* I don't even think it's considered anymore.

*Ray Shapiro:* Yeah, it's not even considered, and yet, because they don't have Article 3 status, there's so many problems. We're wasting so much time since the marathon case, and jurisdiction – here we are playing around 20 years later, and we've got Stern versus Marshal, and we're still playing around with jurisdiction. And it would solve a lot, but it's not going to happen, certainly in my lifetime. I don't see the code going back to court appointed administrators or trustees. I think that their possession practice works. I think Chapter 11 works. Maybe it has to be fine-tuned, but perhaps you know, I just see it works with a debtor in possession practice.

(2:00:00)

I think one of the challenges that law firms have is to get lawyers to be broad based who are handling major Chapter 11 cases because I came up learning all kinds of law and doing all kinds of things. Bankruptcy judges tell me that they're really disappointed that many bankruptcy lawyers who are very good as bankruptcy lawyers walk into court and think they're also litigators, and they don't know how to try a case in front of a judge.

They don't know the rules of evidence, and it's out there. So I think firms in the bigger cases have to have litigators because the bankruptcy lawyers are managing the cases. But when it comes

into pure litigation, they're not really excelling at that. So you've got to bring in others. There are other bankruptcy lawyers that are very good in a courtroom and know how to try a case. Not just in presenting an issue to the bankruptcy judge, but in actually getting that on a trial and examining, cross-examining the rules of evidence, and I think that's still a challenge for the judiciary and for law firms is how you manage the litigation practice.

And that generates a lot of fees. When you have people litigating and you don't have them settling and litigation is used as a leverage, you're going to have a continuation of big fees in a lot of these cases because so much is litigated because the larger firms have the talent to bring into the courtroom to litigate. I still think there is a place for the small firm. I was just reading this morning that one firm is creating a Chapter 7 practice. I think the small firm can handle certainly the consumer and can handle the smaller businessman and take them through the process.

They'll be the most – I think they're mostly debtor firms that take you through bankruptcy. Once you create that, you have to have a volume in order to make a living. So you need a volume of cases. You know how to be cost effective in how you manage those cases. And so I still think there's room for that. After all, there is the issue of conflicts counsel. It's pretty hard to have one big firm call another big firm to handle conflicts because probably the same conflicts exist. So what do you do with conflicts counsel? We're seeing more and more bigger cases engage conflicts counsel because the firm that has the lead position can't handle certain matters. And so there are other firms that have a very nice size, especially in New York and maybe Delaware who you can call in to handle the conflict side of the case.

So I still see room there if you can figure out how to get a market niche in some of the larger jurisdictions where there are cases. I also think that law firms are going to have to determine how they can get their people active in outside activities. I – get them involved so they get a name and a reputation. There is what we call poverty time today. Two families with two incomes having to share raising their families, and in my stage, I was entertaining all the time. I was lecturing all the time. I was doing all these things. When you have poverty time, lawyers can only do so much.

And I have found that it helped me in my name and reputation by being active, by lecturing, by being active just in the community. I have a philosophy that sometimes the blessing is more important than the referral, and the more people that know you and think well

of you because I get a lot of phone calls to bless somebody that I may know. That means that that person has already been referred, but now they're checking him or her out, and what I know about them. And I'm not the only one being called. Just on a blessing. The more you're out there, the more the people know you, the more the people have seen you, and the more you do good things, the better you are in building a practice.

So you have the challenge of family life, your own activities in your local community, and then in your professional community, and I think law firms will get more out of their partners when they're out there. And not just working and going home and then staying with their cases because suddenly when you're 40 and 50, you need a different reputation, and that's a challenge. Law firms are going to have to get behind their people to get out there and do things. I also want to close on that point by saying that because I was active in charities and organizations, I became a better politician in my cases.

I had to handle people. I had to persuade people. I had to manage meetings, and therefore, it's not solely just giving back. I got something from that. I became better at what I did because I had to lead things, and when you become the major lawyer in a case and you're leading people and you have to manage people and inspire them, not autocratically but inspirationally, you learn a lot by being active in these organizations. It made me better as a lawyer at what I did because I learned how to manage that.

I mean imagine having ten women in a room talking about how to get women active in the community and managing that whole group. I mean that in itself was a challenge, Diane, but you learn from doing that. Everything is part of your persona. So if you're out there doing this, you'll be better for it. It applies to men and women. And yet, you've got to fight all these other things that are on your agenda for your daily life. But because I did all that, I think it made me a more successful lawyer, it attracted more business for me, and it made me a more important partner in my law firm.

So I think that is a challenge of the future, and that will continue to be on everybody's list in management challenges. I don't think there's anything else, Diane, that I have to talk to you about. Is there anything else you want to ask me?

*Diane Sigmund:*

No, there's nothing more that I want to ask you, but I do want to thank you very much. I think this has been enlightening, and I

think it will be of great interest to people who come to the National Bankruptcy Archives to learn about today and before today.

*Ray Shapiro:*

Well, I thank you for asking me to participate in this venture, but I think you also had a curiosity. You wanted to learn more than you knew about me, and I have disclosed things that I never disclosed to you before, and it's been a pleasure having you interview me since we've had a longstanding relationship, and I hope that this does have some meaning to people who will listen to it. So we're going to sign off.

*[End of Audio]*

Tags

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