

## Arnstein & Lehr Merges with East Coast Firm

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Midsized law firm Arnstein & Lehr, with more than a century of history in Chicago, has become the latest player in the city's legal market to merge with a larger, out-of-town firm.

Arnstein will combine with Philadelphia-based Saul Ewing, which has 11 offices and saw \$153 million in revenue in 2016. The East Coast firm has 252 lawyers to Arnstein's approximately 150 in six offices.

The combined new 400-lawyer firm will be known as Saul Ewing Arnstein & Lehr. Chicago will be its largest office, with just shy of 100 attorneys.

Barry Levin, managing partner of Saul Ewing, will continue in that role for the new firm. Arnstein's managing partner, Jeffrey Shapiro, will relinquish that title but will sit on the firm's executive committee and continue to head the Miami office. Chicago managing partner Mike Gesas will stay in that position, too.

The deal, which has been in the works for more than a year, made economic sense because the two firms had similar rate structures and profits per partner, Gesas said. One of the country's 200 largest firms, Saul Ewing reported \$525,000 for that key metric in 2016, according to the trade journal *American Lawyer*.

"I've been a big proponent (of the deal), and I'm very excited about it," Gesas said. "It's planning going forward decades, rather than planning for the next 10 years."

Since 2013, Chicago legal stalwarts like Shefsky & Froelich, Ungaretti & Harris and Meckler Bulger Tilson Marick & Pearson have been absorbed by law firms headquartered in Cincinnati, Boston and Philadelphia, respectively.

Amid declining demand for legal services, many firms seek revenue and profits by pursuing higher-rate work. Chicago is one of the priciest legal markets in the country, so acquiring midsized firms here presents an opportunity to buy in at scale. For the locals, it's an opportunity to ease recruitment and boost headcount through the attraction of a national brand. The Chicago office of Shefsky & Froelich, for example, has grown by a third, to 91 lawyers, since it joined Taft Stettinius & Hollister four years ago.

19TH-CENTURY BEGINNINGS

Arnstein & Lehr began when attorneys Albert Loeb and Sidney Adler opened an office in Chicago in 1893; two years later, they handled the reorganization and formation of Sears, a client relationship the firm still maintains. In the 1970s, Arnstein & Lehr defeated lawsuits to halt the construction of Sears Tower.

The firm also was affected by one of the most sensational Chicago trials of the 20th century: the Leopold and Loeb murder case. Richard Loeb, one of two University of Chicago students convicted of killing a 14-year-old, was the son of the founder.

Saul Ewing Arnstein & Lehr boasts strength in bankruptcy and real estate. The new firm also plans to focus on clients in four industries: energy, higher education, insurance and life sciences. Law firms increasingly are organizing themselves to emphasize expertise in industries, rather than practice areas, to match their clients' priorities, said Kent Zimmermann, a Chicago-based legal consultant with Zeughauser Group.

"That has a much greater likelihood of being successful as a strategy than a firm that tries to be too many things to too many people," he said. "They're not trying to please everybody externally or internally, and that's healthy."

Nationwide, legal consultants anticipate 2017 may be another record year for merger activity.

Currently, independent Chicago firms include Neal Gerber & Eisenberg, Vedder Price, Goldberg Kohn, Barack Ferrazzano Kirschbaum & Nagelberg and Much Shelist.