

## Survey Finds Midsized LA Firms Just Looking For Right Fit

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Nearly nine out of 10 midsized Los Angeles law firms were approached in the past year by another firm looking to merge, according to a survey by legal consultancy the Zeughauser Group. Almost half of those firms are open to the possibility of a future tie-up.

Of the roughly 20 firms with head counts between 20 and 200 lawyers that responded to the survey, 42 percent said they would consider combining with another firm in the next three to five years. The results show that Los Angeles is a market that many large firms are looking to enter, said Kent Zimmermann, a Zeughauser Group consultant in Chicago.

Zimmermann attributed that interest in part to the Silicon Beach startup scene on the city's west side, where Orrick, Herrington & Sutcliffe launched an office a few weeks ago. A growing private equity market, a steady flow of real estate finance work and a pool of talented lawyers who have moved to Southern California for lifestyle reasons all create a healthy environment for law firm expansion, he said.

But Zimmermann, a keen observer of Big Law trends, said the Zeughauser Group's survey should ultimately encourage those that dream of acquiring an outpost in Los Angeles.

"There's a perception that L.A. is very picked over among many chairs and managing partners that want to grow in L.A., and that it's next to impossible to find a firm that has interest in combining," Zimmermann said. "The conventional wisdom has been that all the [firms] who want to combine have done it, and that everyone else who's high-quality doesn't want to combine. But many in fact are open to it."

Though the survey didn't ask respondents about the size of the firms that had approached them about a potential union, Zimmermann said he'd heard anecdotally that both large and midsize firms were initiating the merger conversations. Seventy percent of the firm leaders who were receptive to the idea of a merger also indicated that they would consider "a transformational combination with a larger or similarly-sized firm."

Zimmermann said downward pricing pressure across the legal industry, concerns about succession and a desire to ensure long-term stability likely factored into firms' interest in a merger.

"Eighty percent of the firms felt pretty good about their future in this survey, and that's pretty high, but 20 percent did not," he said. "That 20 percent may feel that they have an imperative to combine to be the firm they want to be."

Rutan & Tucker managing partner William Meehan said his 148-lawyer firm, founded more than a century ago and based in Orange County, California, had been approached several times in the past year by other firms interested in a merger. One firm was based in the southeast, and another in Chicago. But Rutan & Tucker isn't in the market to join a larger firm, Meehan said.

"We're not looking to be acquired," Meehan said. "We appreciate that there are certain synergies and cost savings and the kind of rollup analysis that might make sense. But we're a full-service firm."

Rutan & Tucker would consider acquiring a smaller firm, Meehan said, though it's not currently using a consultant or headhunter to look for such opportunities. Meehan added that if his firm were to merge, it would be because Rutan & Tucker needed to be in a city where it doesn't currently have a presence.

Buchalter Nemer, a Los Angeles-based firm with almost 200 lawyers, has heard from potential merger partners every year for as long as president and CEO Adam Bass can remember.

"Going way back when the East Coast firms first started coming here, we were always a target because we have strong offices in Los Angeles, Orange County and San Francisco," he said. "Firms based in the Midwest were sort of the next wave. And there have been some requests for mergers of equals, similar size and so forth."

Like Rutan & Tucker, Buchalter Nemer isn't interested in being acquired, though it's open to combining with smaller firms, Bass said. In February, the firm opened an office in Sacramento with seven lawyers, four of whom previously worked at the California Power Law Group, a smaller shop that Buchalter Nemer absorbed.

If midsized Los Angeles firms do merge with larger ones in the next year, Zimmermann said they should study Arnold & Porter's 2012 combination with Howard Rice Nemerovski Canady Falk & Rabkin, an 80-lawyer San Francisco-based firm. The move more than doubled the number of Arnold & Porter lawyers on the West Coast, and the two firms' specialties overlapped, something that Zimmermann said is the key to a union that benefits both sides. (Arnold & Porter became Arnold & Porter Kaye Scholer after a merger on Jan. 1.)

"The most successful combinations have at least two common threads: shared strengths and shared aspirations for the future," Zimmermann said.