

That Big Law Merger You Just Read About? He's Behind It

Three Big Law combinations closed this week. It could be a record. And Kent Zimmermann should know: He advised firms in all three deals.

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Three Big Law unions in three days. That's what happened this week, as a law firm combination involving at least one Am Law 100 or Global 100 firm on both sides closed Sunday, Monday and Tuesday.

It's probably a first for the legal industry. Because Kent Zimmermann said so. And if somebody should know, it is probably Zimmermann. He has represented law firms on merger deals and strategic planning for nearly 10 years as a principal at the Zeughauser Group. And this week was not just particularly noteworthy for Zimmermann, it was nearly unthinkable.

He advised one of the firms in each of the three deals announced this week, the latest in a series of law firm mergers during the first quarter of 2018.

First, he represented Texas' Gardere Wynne Sewell in its deal with Foley & Lardner, which went live on April 1. He also advised Andrews Kurth Kenyon on its merger with Hunton & Williams, a union that closed on April 2. And Zimmermann also counseled British firm Berwin Leighton Paisner in the run-up to its transatlantic tie-up with Bryan Cave that became official Tuesday.

Ch-ch-ching.

For a consultant who earns a fee when law firm mergers actually get finalized, this week was like a good year's worth of work rolled into three days. In all of 2017, there were only three mergers that brought together two firms from at least the Am Law 200 or Global 100, according to an analysis by legal consultancy Altman Weil Inc.'s MergerLine, which tracks law firm mergers when they are announced. There were only two such deals in 2016.

And Zimmermann said the work is not stopping. An industry that has historically been wary of large combinations is slowly warming up to the idea. There is a fourth Am Law 200 tie-up already in the works, as Detroit-based Clark Hill is reportedly in late-stage merger discussions with Texas-based Strasburger & Price. Zimmermann is not involved in that deal, but since the start of 2018 he has nonetheless flown 52,000 miles. That's equivalent to about four round-trips from Chicago, where Zimmermann lives, to Japan.

"Everybody is used to reading the headlines about consolidation accelerating in legal," Zimmermann said. "But the thing that's changing before our eyes is that there are more

combinations of size—where firms on both sides of the deal are of size. That’s the thing that’s changing. And there’s more ahead. More are coming.”

Law firm mergers of size, as Zimmermann calls them, are very often the result of years’ worth of work. Zimmermann’s work with Gardere began about two years ago, when he was retained to advise the firm’s chairwoman, Holland “Holly” O’Neil, and its management board.

Zimmermann said one of the first questions he often asks law firm leaders is what they envision their firm looking like in three, five and seven years. What are your goals? Then he asks how a firm plans on achieving those goals. The traditional answer to the second question, he said, has been hiring laterals or groups of laterals to deepen their bench of develop expertise in new areas of practice.

“An increasing number of firms are also willing to consider the possibility of a combination if a combination can help them do the same thing,” Zimmermann said. “More and more firms are willing to put all options on the table because it is usually hard to get to where they want to go. And many firms are coming to the conclusion that to achieve their aspirations as a firm it is very expensive and there is a lot of margin for error by building brick-by-brick, lateral-by-lateral or with groups of laterals when they can get them.”

In the Gardere deal, Zimmermann said he was asked to help build consensus at the firm about what a potential merger partner would need to look like. So Zimmermann interviewed more than 35 partners one-on-one to see whether they wanted to do a merger and, if so, what they would benefit from in terms of geography, practice group or industry sector strengths. They also talked about cultural issues such as their approach to compensation and capital structure.

Not every Gardere partner wanted to be part of a larger firm. Some of those individuals left for other firms, including Kevin Kelley, a former chairman of Gardere’s real estate practice who resigned from the firm’s management board and eventually joined Jackson Walker. But after those conversations, Zimmermann took the collective responses to Gardere’s board. He said there was fairly broad agreement in what the partnership was looking for in a merger partner, and he worked with the board to refine that view and commit to it. Then Zimmermann provided a list of firms who would match their criterion.

The top firm on the list? Foley & Lardner, a firm that has pursued other deals in recent years. Gardere’s board asked Zimmermann to reach out to Foley & Lardner, so he called the firm’s chairman and CEO Jay Rothman and left a voice mail. Rothman returned the message by ringing Gardere’s O’Neil directly. Foley & Lardner, it turned out, had a short list of its own that Gardere was on, Zimmermann said.

Zimmermann said he will often work through negotiation points on mergers involving business terms around compensation, capital or unfunded liabilities. He sometimes is consulted on media strategy for rolling out deals to the press or to clients. Zimmermann also sometimes

appears on cable television news programs to provide legal commentary, often playing a liberal foil on Fox News debating gun issues or Trump administration policies.

He said he has no plans of taking a long vacation after the three deals closed this week.

“It’s been a busy period, for sure. I’ve made a lot of trips to Texas, and I still do,” Zimmermann said. “But it’s been a rush. And I’m ready for more.”