

Contents

List of Exhibits	ix
Preface	xi
Acknowledgments	xv

Chapter 1 **Why Law Firms Should Consider Merging** **1**

Introduction	1
The Right Reasons to Merge	3
Increase Expertise and Specialization	4
Expand Geographic Presence	4
Expand the Client Base	6
Enhance Work Sophistication	6
The Wrong Reasons to Merge	6
Follow the Trend	7
Correct Internal Weaknesses	7
Control Expenses or Solve Economic Problems	7
Solve Partnership Problems	8
Conclusion	8

Chapter 2 **Strategic Merger Assessment** **9**

Introduction	9
The Firm's Practice	10
Client Base	10

Practice Expertise	11
The Firm's Economics	12
The Firm's Culture	12
Other Areas	14
Merger Goals and Objectives	14
The Merger Candidate Profile	15
Summary	17

Chapter 3

Initiating the Merger **19**

Identifying Potential Merger Candidates	19
Contacting Merger Prospects	20
Communicating with Potential Merger Candidates	22
The First Meeting	23
The Next Step	24
The Strategic Merger Checklist	25
Communication	25
Working with Outside Consultants and Other Advisors	27

Chapter 4

Evaluating the Merger **29**

Introduction	29
The Merger Committee and Subcommittees	30
Meetings	31
Major Issues	33
Firm Name	33
Conflicts	34
Economics	35
Partner Compensation	38
Retirement, Voluntary Withdrawal, Expulsion, Disability, and Death Benefits	39
Management Structure	41
Practice Compatibility	42
Practice Philosophies and Policies	44
Partner Policies	47
Work Ethic	48

Underproductive Partners	48
Firm Structure	50
Associate Management	50
Other Associate Issues	51
Administration and Technology	53

Chapter 5

Historical Financial Analysis **55**

Introduction	55
Census Data and Demographics	56
Benchmarks for Economic Evaluation	57
Fee Revenue per Equity Partner	59
Fee Revenue per Lawyer	59
Net Income per Partner	60
Expenses and Overhead per Lawyer	62
Leverage and Staff Ratios	63
Billable and Nonbillable Time	63
Hourly Billing Rates	64
Realization Rates	65
Work in Progress, Accounts Receivable, and Inventory Turnover	66
Collections from Top Clients	67
Capitalization	68
Valuation of Assets	68
Liabilities	69
Retirement, Withdrawal, Disability, and Death Benefits	70
Compensation of Income or Non-Equity Partners and Associates	70

Chapter 6

Developing the Pro Forma Projections **71**

Introduction	71
Pro Forma Income Statement	72
Revenue Projection	72
Expense Adjustments	73
Associate Salaries	74

Other Salaries	74
Benefits	75
Occupancy Costs	75
Office Supplies and Expenses	76
Technology and Communications	76
Malpractice Insurance	77
Firm Meetings	77
Business Development	77
Fixed-Asset-Related Expenses	78
Outside Professional Services	78
Summary	78
Pro Forma Cash Flow Projection	79

Chapter 7

The Economic Balance Sheet 81

Introduction	81
EBS Date	82
Asset Assessment	83
EBS Analysis	84
Equalizing the EBS and Resolving Issues	85

Chapter 8

Getting to a Decision 89

Introduction	89
How to Get Information to the Partners	90
The Merger Notebook or Prospectus	91
Scheduling a Vote	93
Merger Agreement	94

Chapter 9

Integrating the Firms 97

Introduction	97
Building the New Culture	98
Plan for Integration	99
Leadership and Management	101
Communication	101

Practice Management	102
Lawyer Expertise	104
Lawyer Workload	104
Departmental Structure	105
Meetings and Operations	106
Risk Management	106
Associate Management	106
Communication	106
Work Assignment	107
Recruiting	108
Training	108
Evaluation	109
Partnership	109
Compensation	110
Capital Structure	110
Partner Compensation	110
Physical Integration	111
Publicizing and Marketing the Merger	111
Public Relations	112
Designated Spokesperson	112
Information Package	113
Communication with Clients	113
Media Coverage	114
Other Forms of Announcement	115
Marketing the Practice	115

Chapter 10

Integrating Administration and Technology **117**

Introduction	117
Administrative Management Structure	118
Administrative Policies and Procedures	119
Administrative Staffing	120
Administrative Services	120
Information Technology	121
Exhibits	125
Index	179