

# The Metropolitan Corporate Counsel®

www.metrocorpcounsel.com

Volume 19, No. 10

© 2011 The Metropolitan Corporate Counsel, Inc.

October 2011

## M&A Transactions: A Smaller Firm, A Better Fit

*The Editor interviews Theodore D. Segal, Partner and Chair of the Mergers & Acquisitions Practice, Stradley Ronon Stevens & Young, LLP.*

**Editor:** Ted, you joined Stradley recently after more than 25 years at a firm that became, by the time you left, the largest law firm in the world. What prompted you to make the change?

**Segal:** I joined my prior firm in the mid-'80s. During my time there, the firm went from being a regional firm with 200 attorneys to a global firm with over 4,000 lawyers. I made the move to Stradley because I became convinced that the large law firm model, with its overhead and compensation structure, lawyer turnover, and "silo" approach to staffing and client service, had become a bad fit for servicing the sophisticated mid-market clients that are the bread and butter of my practice.

I came to this conclusion based in large part on feedback from my clients. Over the past several years, client after client urged me to find a firm at which I could deliver the same quality of service but do so in a more cost-effective manner. One client even expressed his frustration by sharing his view that big firms are like "dinosaurs – eating the leaves higher and higher on the trees until one day they wake up and discover that all the leaves are all gone." This was a true "light bulb moment" for me. I decided it was critical that I see if I could find a way to deliver a more compelling combination of quality and value.

**Editor:** Has that mismatch brought new clients to Stradley?

**Segal:** Yes. Many clients come to Stradley because of the mismatch between what many of the big firms are selling and what sophisticated mid-size companies are looking for. There is tremendous receptivity – even hunger – for new ways of obtaining



**Theodore D. Segal**

high-end legal services that make better business sense.

I saw this with my clients. A number of them had relationships with my prior firm that went back three decades or more. Because these clients loved the idea that I was repositioning myself to offer the same quality at a more "value-driven" price point, they did not hesitate to transfer their corporate work to Stradley. And billing rates are not the only issue. Because Stradley has a strong firm culture, partners almost never leave to go work at other firms. This allows us to bring a long-term perspective to our relationship with our clients. As a result, Stradley has over 9,000 clients it has represented for more than 20 years.

**Editor:** What are clients looking for in a corporate law practice?

**Segal:** They are looking for four key attributes:

Quality is first and foremost. Clients need to know that their lawyers have a

level of expertise and technical excellence that results in legal work of absolutely the highest quality. Plus, the technical expertise must be combined with sound judgment grounded in deep exposure to the industry in which the client operates.

Once quality is present, responsiveness is key. A corporate practice, by its nature, is 24/7. Clients demand – and are entitled to receive – a total commitment from their lawyers to meet even the most ambitious deadlines.

Passion is next. Clients want their deal lawyers to be passionate about what they do and to derive personal excitement and satisfaction from their profession and their clients.

The fourth attribute – relevant only if the first three are present – is value. Clients do not want to be insulted by the bills they receive. They want work of the highest quality but at a cost that is respectful of the financial constraints they are under and the other business challenges they are facing.

I came to Stradley because these four attributes are at the core of the firm's culture.

**Editor:** Tell us about Stradley's M&A Practice Group.

**Segal:** Stradley's M&A Practice is comprised of more than 30 lawyers with deep experience representing strategic buyers and sellers, closely held and family owned businesses, public companies, private equity firms and other transaction participants in complex acquisitions, dispositions, financings and recapitalizations. That core group draws on the expertise of lawyers throughout the firm who provide integrated advice on the vast array of complex situations that arise in deals, including those involving securities, financing, tax, real estate, environmental, litigation, intellectual property, employment and benefits, regulatory matters and products liability.

Because industry knowledge is so criti-

*Please email the interviewee at [tsegal@stradley.com](mailto:tsegal@stradley.com) with questions about this interview.*

cal to effective and efficient transactional representation, we are also organized around a number of “industry sectors.” For example, our Investment Management industry sector includes lawyers who have done numerous transactions for asset managers and investment companies and who draw on the resources of Stradley’s world-class Investment Management/Mutual Funds Practice. Similarly, our Banking industry sector consists of transactional lawyers who spend the vast majority of their time doing M&A and related securities work for clients in that industry. Over the past few years, that group has been involved in numerous deals for regional financial institutions, and the practice keeps growing. Although we are able to effectively handle clients in all industries, we believe our sector approach allows us to augment both the quality and value we offer our clients.

I am also very proud that lawyers in Stradley’s M&A Practice Group have received numerous industry awards and recognitions. For example, Deborah Hong, the co-chair of our group and head of our Asia Industry Sector, was selected this year by the *Philadelphia Business Journal* as one of “40 Under 40” for professional excellence and community involvement and by the *Legal Intelligencer* in 2010 as one of Pennsylvania’s “Lawyers on the Fast Track.” Our corporate team in New Jersey was recognized by *Chambers* – a guide of America’s leading lawyers for business – as one of the leading corporate practices in the state.

**Editor: Stradley’s M&A practice has grown recently through the addition of experienced attorneys from major law firms. What attracted these lawyers to Stradley and what attracted Stradley to them?**

**Segal:** What attracted these lawyers to Stradley is the same thing that attracted me – the opportunity to join a highly successful firm whose approach to client service and core values is an ideal match for sophisticated middle-market corporate and transactional clients. The addition of these lawyers adds to the substantive and technical depth of an already-strong M&A practice, brings new perspectives and energy to the practice group, and gives us “surge capacity” for larger transactions.

**Editor: How have current market conditions affected your practice?**

**Segal:** As a general matter, we have seen

an uptick in deal activity over the past six months. Strategic buyers in particular are becoming far more active as valuations have come down. Lawyers in our group have been very busy working on a broad array of significant transactions. While much of this work is for longstanding institutional clients, an increasing percentage is for new clients who find us a compelling value-driven alternative to their current law firms. As we are seeing, transactional lawyers who can deliver quality and value coupled with deep industry expertise will thrive.

**Editor: Tell our readers about some of your key initiatives for the coming year.**

**Segal:** Because it is so important to our clients, many of our key initiatives involve delivering value to our clients. We have made project management a focus of our internal R&D efforts, making sure that everything we do – from associate training to knowledge management to transaction staffing and oversight – aligns with our goal of combining quality and value.

Another initiative looks at ways we can move away from hours-based billing on transactions to a project-based or deal-based approach. We are increasingly moving away from the “we bill – you pay” mindset and looking for ways to give our clients certainty on their legal spend on corporate and transactional matters. This is admittedly easier with longstanding clients who generate a pipeline of deals, but we are using these approaches for new clients as well.

Finally, we continue to look for ways to deepen our partnering relationships with our clients. From offering in-house training programs at our cost, to “seconding” attorneys to assist in-house lawyers on routine matters, to offering fixed-fee retainer-based arrangements for broad categories of counseling services, to supporting charitable and community causes, we are open to discussing almost any arrangement that will make our clients’ lives easier and knit us more closely into the fabric of their work.

**Editor: Has your group had any notable recent representations or deals that you can share with us?**

**Segal:** Recently, we have served as counsel to the Tasty Baking Company in its recent sale transaction with Flowers Foods, Mercer, Inc. in its acquisition of Organization Resources Counselors, Inc., The Johns Hopkins Health System Corporation in its affiliation with the All Children’s Health

System in St. Petersburg, Florida, The Advisory Board Company in its acquisition of PivotHealth, and Bryn Mawr Trust Company in its acquisition of First Keystone Financial Corporation. In addition, we have assisted an array of nationally recognized investment managers in the acquisition of other investment advisory firms and highly rated mutual funds, helped other community and regional banks and financial institutions in merger and acquisition, capital raising and reorganization transactions, and represented other leading national and regional academic medical centers in significant corporate transactions.

**Editor: Do you plan to continue to expand your practice group? How?**

**Segal:** We have significant opportunities to expand our work with existing and new clients. To capture these opportunities, we are adding mid-level and senior associates. We’re also looking to add lateral transactional partners who fit our model and share our values in the Philadelphia and D.C. markets.

**Editor: Does the firm handle international transactions?**

**Segal:** We have significant experience handling cross-border transactional work for both our U.S. and foreign clients. On many international transactions, we draw on our unique relationship with Meritas – an association that offers us access to a network of 170 firms located in more than 60 countries. As the only eastern Pennsylvania member of Meritas, we can offer clients virtual “presence” in every major city worldwide, without the costs associated with branch office operations.

**Editor: Do you find clients coming back to Stradley repeatedly as they grow through acquisitions?**

**Segal:** We do. As I mentioned, Stradley has thousands of transactional and other clients that it has represented for 20 years or more. A hallmark of Stradley is the long-term partnership that evolves between our law firm and our clients. Client loyalty – and the repeat business that comes with it – is a natural outgrowth of this partnering relationship.

**Editor: So are you happy you made the move to Stradley?**

**Segal:** Yes, absolutely. But much more important, my clients are thrilled.