

LEGGE *Work*

Mid-Sized Firm Maintains Footing
By Focusing on Finances



From left to right: Gerard Kimmitt II, Chris McGrath, James T. Brown and Glenn Legge.

by BRENDA SAPINO JEFFREYS

Legge, Farrow, Kimmitt, McGrath & Brown opened its doors in April 1996 in austere offices, with little time to work up a business plan, and without any assurance the founding lawyers' clients would stick with them at a new firm.

There simply wasn't time to make all the arrangements that business consultants, or even common sense, would recommend. But a decade after its speedy formation, Legge, Farrow has more than doubled in size, it has a client roster including *Fortune* 500 companies, and the founding partners say it's providing them a good living along with a pleasant work environment.

At a time when firms are becoming larger and larger, 15-lawyer Legge, Farrow has plans to grow by about one to two lawyers a year.

The firm began after founding partners Glenn Legge and Michael "Mickey" Farrow left Houston's Bell & Murphy under unpleasant circumstances; Legge says he was escorted out of his old firm by security guards after a shareholder meeting where he questioned the firm's overhead.

Faced with a career decision complicated by the fact his wife, also a lawyer, was eight months pregnant with their first child, Legge says he considered taking his practice to another firm in Houston. But instead, he and Farrow joined two former partners from Bell & Murphy, Gerard Kimmitt II and Chris McGrath, and

two associates to form Legge, Farrow.

Legge and Kimmitt say their 10-year-old firm is successful largely because of loyal clients, teamwork, and careful attention paid to the cost side of the balance sheet.

"Ultimately it was an opportunity to control our own destiny," Legge says.

At 15 lawyers, Legge, Farrow is too small to crack the list of the 25 highest-grossing firms in Texas, as reported in *Texas Lawyer's* Annual Report on Firm Finance. But Kimmitt, the firm's managing partner who has a near-encyclopedic recall of the firm's financial statistics, says Legge, Farrow's profits per partner are in the range of the PPP at firms on *Texas Lawyer's* list.

"If we had enough lawyers to make your list, we'd be in the top 25," he says.

"Act of Faith"

Many of the lawyers at Legge, Farrow met at Bell & Murphy, which merged with Houston litigation firm Beirne, Maynard & Parsons in 1997.

Legge says he was asked to leave Bell & Murphy in 1996, after he persisted in asking shareholders questions about the firm's cost structure, particularly in the wake of a nearly \$1 million renovation of the firm's offices three years before. [See *"Merging for Trial Power," Texas Lawyer, Aug. 25, 1997, page 1.*]

Edward Murphy, a former shareholder in Bell & Murphy who's now a partner in 85-lawyer Beirne, Maynard, declines to comment on the terms of Legge's departure other than to say it was the result of a "business disagreement."

"I don't think it's fair for me to discuss the circumstances of the business disagreement. It's all behind us.

lease. On its first day, the firm's lawyers used a picnic table for furniture and the telephones weren't ringing into the offices.

Fortunately, Legge says, several clients agreed to let the Legge, Farrow lawyers keep the files they had worked on at Bell & Murphy. Those clients included Exxon Corp., now Exxon Mobil Corp.; Western Geophysical, now part of WesternGeco; Petrobras, the Brazilian energy company; and BP, he says.

"It was very much an act of faith," Legge says about the clients that agreed to move work to the fledgling firm.

The firm's clients also include TETRA Technologies Inc. of The Woodlands, Liberty Maritime Corp. of Lake Success, N.Y., AeroMexico and Schlumberger North America.

The firm's billing rates were a big selling point. Legge says the partners' billing rates dropped to \$160 to \$175 an hour, compared to about \$225 an hour at their former firm.

"Our idea was not to come in as a

the low range for a 15-lawyer firm.

"The success of a mid-sized firm really comes from their attention to their finances, because typically the firms that fail — mid-sized, anywhere from 15 to 100 lawyers — they are not watching their finances, they are not billing their time, and one little bump in the road, like med malpractice going away, can kill them," says Cobb of WCCI Inc.

Kimmitt says the firm has no long-term debt and paid off its start-up line of credit within about 14 months of when the firm opened its doors. The only other time the firm tapped the line of credit was in 2004, to support the start of a labor and employment practice at the firm when partners Laurence Stuart and Katherine Mize joined.

During its first year, when cash flow was so important, Legge says the firm was lucky to make some money from a hybrid contingent fee on a federal suit. The firm represented some London underwriters, Enserch Exploration and Mobil, in a suit filed over the allegedly defective construction of an offshore production facility. The suit, *Ensearch Exploration Inc., et al. v. Aker Marine Inc., et al.*, which was filed in the Southern District of Texas, settled for a "favorable amount" and the fee from that piece of litigation helped the firm get on its financial footing, Legge says.

The firm's practice areas include personal injury and commercial litigation, corporate, maritime, insurance coverage, and labor and employment.

According to Legge and Kimmitt, the firm keeps costs down by renting office space that's functional but not fancy — the firm has been in its current office for nine years — and it typically doesn't recruit first-year associates. With three or four lawyers at Legge, Farrow sharing a secretary, Kimmitt says the attorneys write their own letters and keep records of their own billing time. The firm doesn't employ runners to deliver documents, Kimmitt says.

The lawyers even take turns making shopping runs to a warehouse store to stock the firm's kitchen, Legge says, a task that "keeps egos in check."

"Our idea was not to come in as a cheap firm, but come in as a better value,"

Glenn Legge says.

It's another millennium. We both have successful firms," Murphy says. "They are nice people, a good firm, good lawyers. I like them."

Legge says he and Farrow were fortunate when Kimmitt and McGrath decided to leave Bell & Murphy and approached them about forming a firm. Kimmitt says he chose to leave Bell & Murphy in the spring of 1996 to help form Legge, Farrow because it seemed like the right time in his life — he was then 40 — to take the plunge. He recalls a "lot of tension" at Bell & Murphy at that time.

Legge says Legge, Farrow started in "little broom closet" offices in the Galleria area of Houston, where the then six-lawyer firm had a one-year

cheap firm, but come in as a better value," he says. "That was our pitch — we aren't cheap, but basically we've learned our lesson."

The lesson he's referring to is hefty overhead costs at his old firm, where Legge says the overhead came in at around \$165,000 per lawyer per year. At Legge, Farrow, the comparable figure is about \$95,000, Kimmitt says.

Murphy declines to discuss the overhead at his old firm, Bell & Murphy.

Kimmitt says the partners in Legge, Farrow signed an agreement pledging that overhead will never exceed \$100,000 per lawyer per year.

Firm consultant William C. Cobb of Houston says that overhead level is in

Legge says while the firm was beginning to make it financially in its early years, it took a hit when Mickey Farrow died of cancer in 1997. "It was a blow to us, both financially and emotionally," Legge recalls.

To ensure the firm could maintain its secure financial footing in the early years, each of the partners took a pay cut, compared to what they were making at Bell & Murphy, and they received no raises for nearly three years, Legge says.

"Some of us didn't take a salary for several months because we were basically working on a line of credit," Legge says, adding that the firm borrowed hundreds of thousands of dollars to start the firm.

Partner James T. Brown left Bell & Murphy in 1997, prior to the announcement of the merger with

NEW FIRM DO'S AND DON'TS

Do understand the risks and be willing to accept risk and stress.

Do be patient the first few weeks, and have faith clients will stay with the lawyers.

Do watch cash flow and spend money where it's beneficial, such as on client development and good lawyers.

Don't overplan.

Do be honest with clients.

Do take responsibility for what happens.

Source: Glenn Legge and Gerard Kimmitt II

Farrow, he's not as pressured to bring in revenue.

Legge says the firm's partner billing rate is about \$280 an hour.

Kimmitt says lawyers at Legge, Farrow billed 1,860 hours each in 2005, which he says is doable for attorneys who bill nine to 10 hours a day, Monday through Friday. That yearly billable figure is lower than what's required of first-year associates at many larger firms in Texas.

"That's nice to see," says Bruce Himmelreich, an associate general counsel at Cooper Cameron Corp. in Houston. "They are not blowing your money on extravagant art collections and exotic furniture."

But the firm has invested in technology and in lawyers, and it doesn't skimp on client development. Legge notes, for instance, that lawyers go to London

about four times a year to meet with insurance-industry clients.

"Whatever it takes," Kimmitt says.

Himmelreich says Legge, Farrow's lawyers don't milk the files. "Their billing rates are definitely attractive, and I think they sort of work up a case based upon how much you need to do a good trial rather than how much the file can bear."

Greg Kenney, a senior counsel at Exxon Mobil in Houston, says he was one of the first in-house lawyers to use Legge, Farrow. He moved some litigation to the firm in 1996, because he hires the lawyer, not the firm.

"They are standout with how efficient they are," he says. "The rates are very low, and then they also seem to be able to sort of accomplish things spending less time than the average firm."

Kenney, who oversees tort work and downstream commercial litigation for Exxon Mobil, says Legge, Farrow has handled commercial matters, tort litigation, maritime work and real estate issues for the Irving-based corporation.

He notes, "They really are a bargain for us." 

Gerard Kimmitt II says the partners in Legge, Farrow signed an agreement pledging that overhead will never exceed \$100,000 per lawyer per year.

Bearne, Maynard, to join his former co-workers at Legge, Farrow. Brown, who does maritime work, says he had no interest, then or now, in the Big-Tex practice.

"They were doing the kind of work that I liked [at Legge, Farrow], and I wasn't interested in getting taken over by a big firm," Brown says.

Stuart, a former associate with Bell & Murphy, had been a partner in Baker & McKenzie in Houston prior to rejoining some old colleagues at Legge, Farrow. He says he was attracted to the type of work the firm does and the positive atmosphere, and while his billing rate is lower at Legge,

The firm — which has seven partners and eight associates — mostly hires laterals, Legge says, and it has purposely maintained slow growth.

"The biggest challenge was to make sure to grow at a rate that wasn't knee jerk to new business," he says.

Legge says the firm has been approached at least five times by larger firms interested in acquiring Legge, Farrow to establish a beachhead in Houston, but the partners aren't interested in that. They enjoy their independence.

A Penny Saved

Clients appreciate the firm's attention to overhead.

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