

# Bankruptcy Court Decisions

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## Growing the practice — without all the growing pains

Demand for bankruptcy, workout, and litigation services is on the rise. At the same time, clients' legal quagmires are messier than ever before. That's leaving some restructuring departments with a growing need to quickly, but safely, support their ranks of insolvency professionals. But growth is risky. These days, layoffs are not uncommon, mergers fail, and some firms have been forced to liquidate. Opening and staffing new offices is an expensive proposition, and hardly provides the turn-key operations restructuring departments need. What's a firm to do?

Fifteen-attorney Albany, N.Y.-based Deily, Mooney & Glastetter LLP was posed with exactly that question. The firm's bankruptcy department represents motor vehicle finance and asset-based lenders including Chrysler Financial, Hyundai Motor Financial and Navistar Financial in eight states in the Northeast and Middle Atlantic regions. A behemoth by comparison, but also struggling to keep up with demand for its creditors' rights services, was 300-attorney Florida-based Adorno & Yoss LLP, a firm whose clients include GMAC, Shell Oil and Honeywell.

After 18 months of extensive negotiations, the two firms recently formalized an of counsel relationship — a relationship that has “all of the advantages of expansion with none of the risks or expense,” according to Charles M. Tatelbaum, national chair of the Bankruptcy Litigation and Secured Transaction Practice at Adorno & Yoss.

“Most of the mergers you see today are either with two weak partners or one strong and one weak partner,” said Tatelbaum. “This affiliation is different because it's a win-win for both strong firms,” he said. Deily provides Adorno with experienced restructuring

support in the Northeast; while Adorno provides Deily with a nationwide network of restructuring attorneys to call upon. Both firms are of counsel to one another, and both firms will sport the new affiliation on their letterhead.

Clients are more than pleased with the arrangement, according to Tatelbaum and Jonathan D. Deily, partner and a founding member of Deily, Mooney & Glastetter, likely in no small part because both firms' major clients were not only informed of the discussions early on, but had a hand in structuring the arrangement over the painstaking 18-month-long negotiation process.

There won't be any surprises when an Adorno client's matter is passed on to a Deily attorney, or vice versa, the attorneys said. Clients are well aware of the affiliation, and, given the fact that it gives them access to an expanded network of experienced attorneys, are supportive of it, Deily said.

The attorneys note that the affiliation runs far deeper than some sort of agreement to jointly market their practices — like United Airlines and Lufthansa trying to get each other passengers, Tatelbaum explained. “We will work together. So if I get an emergency and one of John's partners is available and has the expertise, I can pick up the phone and have them jump in and feel confident the situation is being handled. If John has a problem that's specific to California, he can call upon our bankruptcy group in Los Angeles to handle it.”

### Why not merge?

Historically, the firms were adversaries, frequently representing lenders with competing interests. But over the years, Deily and Tatelbaum developed a friendship founded on mutual respect for each others' work product. So, in recent years, as Deily's creditors' rights practice began expanding geographically, they'd hire Adorno & Yoss as local counsel. The association as local counsel and referring attorney worked well for the firms and their clients, and it wasn't long before discussions ensued regarding a formal affiliation.

Certainly at first blush, the affiliation made sense — the firms already had a track record of working well together and their bankruptcy practices shared a similar focus and expertise. They also shared similar cultures. Adorno is the largest certified minority-owned law firm in the nation, while 30 percent of Deily's attorneys are women, and four of the firm's senior managers are either women or minorities.

Despite the abundance of common ground, the firms were all too aware of the hazards of haphazard growth. They spent 18 months vetting the ethical considerations of the affiliation, working with clients, and developing a strategy for dealing with conflicts.

That's longer than some firms take to negotiate a merger, but a merger is not in the cards — yet, the attorneys said. "From a small firm point of view, this is like a test drive. It allows us to maintain our independence, maintain our clients and culture, serve our clients better, and have a respectable getting-to-know-you period."

Tatelbaum echoed the sentiment. "Despite all of your premerger discussions, things come up afterwards —there's nothing nefarious — it just happens. This gives us the maximum flexibility to make sure that nothing ever comes up that's going to jeopardize a client relationship for either firm." ■