

Adams and Reese: Been There, Done That

To blunt the effects of the recession, five Second Hundred firms reached deep into their toolkit

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If there's any upside to Hurricane Katrina, it's that it forced New Orleans's Adams and Reese into belt-tightening mode two years before the global economic crisis hit. The firm was forced to start reducing staff and other expenses shortly after the hurricane struck in 2005, long before other Am Law 200 firms began instituting mass layoffs, cutting salaries, and delaying associate start dates.

"We really had to start tightening to stay competitive," says managing partner Charles Adams, Jr. That meant terminating nonperforming lawyers more quickly, changing staff ratios from two lawyers per secretary to three lawyers per secretary through attrition, and being more selective about the type of work the firm took.

Although the firm's head count dropped from 263 in 2005 to a low of 233 in 2008, its revenue per lawyer rose 18.9 percent, from \$370,000 to \$440,000, during that three-year period, and profits per partner rose 16.4 percent, from \$335,000 to \$390,000.

By the time other law firms began to feel the effects of recession, Adams and Reese didn't have much fat left to cut. "I would never say Hurricane Katrina was a good thing," Adams says. "But it served us well in this economic crisis."

In 2009 Adams and Reese's head count increased 3 percent, to 240 lawyers, and the size of the equity partnership grew 8 percent, to 96. Revenue per lawyer dipped 1.1 percent, to \$435,000, and profits per partner fell 2.6 percent, to \$380,000.

Early in 2010, Adams and Reese announced it would open three new offices in Florida by acquiring 31 lawyers plus support staff from Ruden McClosky's offices in Sarasota, St. Petersburg, and Tampa. With those additions the firm now has more than 280 lawyers in 13 offices throughout the South and in Washington, D.C.

Adams says that the firm's declines in revenue per lawyer and profits per partner in 2009 were not caused by a lack of work. "The reasons we came up a bit short had more to do with clients not being able to pay in some cases, and other cases that required court approval," he says.

Because Adams and Reese is primarily a litigation firm (that area accounted for about 59 percent of its revenues in 2009), it wasn't hit as hard as some Second Hundred firms by the sharp falloff in transactional work last year. Adams says that Adams and Reese's bankruptcy practice was strong, as were such specialties as forestry work. Last fall, for example, the firm represented The Molpus Woodlands Group in a \$173 million acquisition of 91,360 acres of timberland in Arkansas, Louisiana, and Texas.

The firm revised its associate billable-hours requirement last year, lowering it to 1,850 hours from 2,100. Adams says the change has had little overall effect, since pro bono, client development, training, and firm committee work were all included in the previous 2,100-hour requirement. Only client work will be included in the new 1,850-hour requirement.

"A number of other firms approached billable hours differently," Adams says. "Our competitors would tell associates, 'You have to work 2,100 hours there.' Many associates got confused. We got tired of explaining that the net ended up being the same."