

# CORPORATE COUNSEL

September 24, 2013

## Ex-Lehman In-House Lawyer Finds a Global Niche

By Susan Hansen

Larry Bortstein has a stock answer for people who ask him about the dramatic demise of Lehman Brothers. "The expression I use is that it all would have been very interesting if it were happening to somebody else," says Bortstein, name partner at New York's Bortstein Legal Group.

At the time of the financial services giant's collapse, Bortstein wasn't just one of Lehman's most senior in-house attorneys. He was also global head of its technology law group, and thus knew as much as anyone about key vendor contracts and about how the firm's vast technology infrastructure generally worked.

On the afternoon of September 14, 2008, Bortstein recalls fielding numerous frantic calls from senior Lehman execs as well as from potential acquirors. "They were doing due diligence, and needed to know how [things] were organized," says Bortstein.

By early that evening, however, the phone had stopped ringing. The last-minute scramble to find a buyer had failed. The next morning Bortstein awoke to the news that Lehman had filed for Chapter 11 bankruptcy protection, and the fact that he, along with dozens of in-house lawyers and thousands of other Lehman employees, would be out of a job.

Fortunately for Bortstein, he had a potential backup plan—and an entrepreneurial bent. In the years before before Lehman ran into trouble, he had thought on and off about eventually starting his own law firm—one that would provide expert advice on technology and outsourcing contracts at an affordable price. "At Lehman, I was a consumer of legal services, and I'd see these gigantic bills from the big law firms," says Bortstein. "I wanted to try to offer something that I thought was lacking in the marketplace." Now, though the timing definitely wasn't of his choosing, in the wake of Lehman's collapse he had his chance.

In December 2008 the firm—now known as Bortstein Legal Group—officially launched. Five years later, Bortstein's plan appears to be paying off. Indeed, Bortstein has managed to leverage his Lehman experience and contacts to build a small but thriving firm, with 14 lawyers, a brand-

new London outpost, and a growing list of clients that includes financial services powerhouses such as Marsh & McLennan and American Express, as well as microblogging platform provider Tumblr and Quirky.com, the new Internet marketing site for small inventors.com.

True to his original vision, the firm still focuses largely on helping clients procure technology and telecommunications-related services from a wide range of third-party vendors. But it also has a strong expertise in real estate law, and routinely handles major lease negotiations along with contracts with architects and designers for workspace build-outs.

As Bortstein sees it, it's all about helping clients set up and maintain their basic infrastructure, and providing general operational support. "We do the things that make companies go," he says.

No question, that work has been keeping the firm busy. Since BLG's launch five years ago, the firm has negotiated contracts with more than 700 vendors. This year alone, according to Bortstein, BLG is on track to complete more than 1,000 separate transactions, ranging from software licensing to office lease agreements to a mega data center deal, totaling hundreds of millions of dollars.

Of course, thanks to Lehman, Bortstein's firm was able to hit the ground running. The firm's very first assignment when it opened its doors was managing vendor contracts for the Lehman estate, a job that involved negotiating and restructuring software licenses, outsourcing agreements, and other technology-related contracts for the literally hundreds of subsidiary Lehman businesses that were not taken over by the failed investment bank's two principal buyers—Barclays PLC and Nomura Holdings Inc.

Thus, even in the midst of the brutal recession that started in late 2008, Bortstein and his new firm had plenty of work to keep them busy and a client that was generating hundreds of thousands of dollars a month in revenue. Ultimately, the firm collected roughly \$2.5 million in fees from the Lehman estate.

Just as important, Bortstein has been able to draw on his network of contacts from his Lehman days to build a robust team. Among the BLG lawyers are two former colleagues of Bortstein from Lehman: Meredith Clair, a senior corporate real estate lawyer at Lehman who heads BLG's real estate practice; and recent recruit James Humphrey-Evans, who managed technology and contracts for Lehman's operations in Europe, the Middle East, and Africa and now oversees BLG's new London branch.

Having spent her entire career either in-house (at Lehman and then Barclays) or with big law firms, Clair recalls that she had to think hard about signing on with a start-up. "It was definitely a leap of faith," says Clair, who worried about job security and whether she would be able to drum

up enough business to earn her keep. "The level of commitment is so much greater than at a big firm," adds Clair. "It's very clear that if we don't all pull our own weight, it won't work."

But Clair took the leap, joining the firm in early 2009. Thanks to her wide network of Lehman contacts, she discovered that rainmaking was less challenging than she had expected. "When Lehman fell apart, all the people there fanned out," says Clair, who notes that a large chunk of her real estate business (including clients such as Quirky and IMG Worldwide Inc., the mega talent and marketing agency for sports and entertainment industry stars) has come in via Lehman-related referrals.

Of course, clients wouldn't be turning to BLG if it didn't have something to offer. From the start, Bortstein was convinced that few other firms would be able to match the firm's expertise in technology and outsourcing, and its vast experience in negotiating vendor contracts. But he also knew the cost-cutting pressures that in-house legal departments were under. So he has set and kept average billing rates around \$400 per hour, at least 40 percent less, he says, than what a big firm would typically charge.

That has been a definite draw for Mike Caplan, director of operations for the general counsel's office at Marsh & McLennan. "We don't want to pay high rates," says Caplan. He notes that Marsh & McLennan has been a leader in the drive to come up with alternatives to the billable hour, and says he appreciates BLG's flexibility in trying out alternative fee arrangements. Plus he likes the fact that with BLG he gets highly experienced lawyers working directly on his matters. In the past 18 months, BLG has handled negotiations on roughly a dozen vendor contracts covering e-billing and other technologies to support Marsh & McLennan's legal department, and Caplan says he also plans to enlist BLG on some upcoming real estate-related matters. "With BLG, you get very senior attorneys at attractive rates," says Caplan.

Bortstein, for his part, points out that years of experience in negotiating vendor contracts has also made him and other BLG lawyers highly efficient at their jobs, which he notes is another major plus for cost-conscious clients. And, indeed, Ari Shahdadi, general counsel for the microblogging platform site Tumblr, says he has definitely noticed that Clair and other BLG lawyers he's worked with don't waste a lot of effort. "They've got so much industry expertise and know the market so well that they can quickly cut through all the junk and get to the best outcome," says Shahdadi, who adds that that suits him just fine.

"I don't have time for memos or a lot of other flowery stuff," he says.

Likewise, Rosalie Mignano, vice president at BLG client IMG Worldwide, says that a lot of the outside lawyers she's dealt with tend to "overcomplicate things, and get hung up on a lot of legalese." Not BLG. "They cut to the meat," says Mignano, who originally hired the firm two years ago to vet a lease and has since used it on at least a half-dozen other lease and office

construction agreements, and a handful of licensing and supply contracts. "They provide us with a one-stop shop."

With just 14 lawyers in all, BLG certainly has room to expand. But Bortstein and other BLG lawyers insist that they aren't interested in growing for growth's sake. They would rather stay focused and deliver excellent work and service in the firm's core practice areas.

That said, the firm also clearly believes in seizing a good growth opportunity when there's a client demand. Case in point: BLG's new London outpost. Given that the firm has a heavy concentration of financial services clients and given that many of those clients have sizable London operations, Bortstein and new London partner Humphrey-Evans say that opening shop there just made sense. "There was kind of a gap in the market," says the British-born Humphrey-Evans, who gave up an in-house job at Mitsubishi UFJ Securities International to join the firm. "I thought it would be a great opportunity to build a business."

BLG declined to name any of its U.K. clients. But since starting at the firm this past June, Humphrey-Evans says, he has been busy on millions of dollars in deals, including a large-scale data center contract for a global financial company and a software codevelopment and licensing deal for a top-tier insurer. And having already helped the firm land two new U.K.-based financial services clients, he says more such deals are currently in the pipeline.

Indeed, the firm is so confident about its U.K. growth prospects that Humphrey-Evans says that he has already begun putting out feelers and holding preliminary discussions with potential job candidates in hopes of building out the London staff. If all goes according to plan, he and Bortstein say that BLG would like to have at least three lawyers in place in London by the end of 2014. "We think it's a very measured growth plan," says Humphrey-Evans.

And that might just be the beginning of a whole network of BLG offices around the globe. Given that many of BLG's financial services clients also have significant operations in Asia, Bortstein believes it will eventually make sense for the firm to have a presence there as well, and cites Hong Kong and Singapore—the region's two biggest financial centers—as the two most obvious locations.

"They're the places where our clients are doing business," says Bortstein, who adds that the firm may also eventually expand its presence in the United States with branches on the West Coast and in Chicago.

For now, though, the firm is in no real hurry. As Bortstein sees it, it's all about getting the very best mix of lawyers for BLG, and to do that, he's willing to take his time. "We're very mindful of growing in a slow, concerted way," says Bortstein. "We don't want to overexpand. The goal is not to be big, it's to be great."

When Bortstein thinks back on Lehman's collapse five years ago, he's still a little awed by how nightmarish and surreal the firm's sudden implosion was. Still, though it certainly didn't seem like a good thing while it was happening, Bortstein admits that for him at least, the Lehman disaster has had a real upside.

"It took an event like Lehman to push me to do something entrepreneurial," says Bortstein. And so far, he notes, it's worked out pretty well.