



STARTING A NEW ORANGE COUNTY-BASED LAW FIRM: THEN AND NOW

by DEAN J. ZIPSER and LEILEI WANG EKVALL

When we were asked to write an article about starting a new firm, we immediately sought the input of some of those who came before us and who did so with great success. (After all, we had started our own firms only eighteen months ago.) So we asked, and were fortunate to sit down with, Louis J. Knobbe, a founder of the Knobbe Martens firm more than fifty years ago, and his first associate, former OCBA President Don Martens, as well as from Nicole Whyte, who successfully founded Bremer Whyte Brown & O'Meara LLP more than eighteen years ago. The end result was a roundtable of sorts, where we each shared ideas and compared and contrasted then and now.

Q To begin, what prompted you to start your own firm and what goals or vision did you have for your firm?

Louis Knobbe: A law school friend of mine, Allan Fowler, mentioned to me one day that he was thinking about starting his own firm. I give Allan a lot of credit. We decided on Orange County, rather than Los Angeles, because Allan saw the potential of Orange County at that time. UCI was opening and its master plan was to build all these high-tech companies around the university. It was not a high-tech center yet, so you could get your foot in the door and make a mark.

Allan and I shared one secretary for a total staff of three. Starting a firm with two lawyers, rather than a solo practice, was a major benefit because Allan had a lot of strengths that I didn't have, and I had some that he didn't have.

I had one major goal: I wanted something that would last. Back then, there were more patent law firms than there are today. Many of them had ten lawyers or fewer with everyone working and realizing profit for one person—someone old who would not leave the practice. I didn't want that, so when I was thirty-two, I wrote the original partnership agreement to mandate retirement at age seventy.

We also endeavored to hire as many smart people as we could. I think that is a major difference from the firms I have seen recently started: sometimes founders are reluctant to hire people who are smarter than they are.

Don Martens: I remember about five years after we were launched, Louis said, "One day, we will have twenty lawyers." It took me about thirty minutes to stop laughing. At the time, Rutan & Tucker had about twenty-two lawyers as the largest firm in the county. It was before New York and Los Angeles-based firms started opening offices in Orange County.

A major difference from most other firms is that, when they are starting or expanding, they are looking for a book of business. We have never looked for a book of business. We have always looked for talented, young people who can grow into the firm and learn how to practice law in their current environment. From that we

know that, ultimately, they will bring in a book of business. We also don't keep track of the book of business. Everyone knows who's got a lot of clients, but people are not talking about their book of business. They are talking about getting the work done for the clients.

Nicole Whyte: Keith Bremer and I were junior partners at an insurance defense firm. You could say we are the "yin" and "yang." We wanted to start a firm where we could provide a uniform product, focus on excellence, and create an opportunity for growth, especially for young lawyers. We wanted to find young lawyers, mentor them, and grow them within the firm to become partners. We never dreamed that we would one day be as big as we are. We also started with two associates, including Ray Meyer, the partner who runs our Northern California office. He took a leap of faith by joining us. We also had a secretary, a file clerk, and a bookkeeper when we started.

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Our goal was to diversify our practice. Initially, it was just survival, and survival meant building up existing clients. From there, it was gradual growth. A lot of our growth has been attributable to opening new offices in other geographic locations after our clients had cases in other cities and states where they needed support. That growth was all organic and then, from that growth, came other areas of litigation practice.

Lei Lei Wang Ekvall: I started with six partners (Kyra Andrassy, Kraig Kilger, Evan Smiley, Autumn Spaeth, Philip Strok, and Robert Marticello) and a paralegal, all of whom I had worked with for between eight and nineteen years. Evan and I have worked together in the same firms for our entire legal careers after we each completed our respective judicial clerkships at the bankruptcy court. We are

opposites in many ways, but that works well as a check and balance. Starting our firm was just a natural progression of things after being with our prior firm for nineteen years.

We wanted a practice that would allow us to continue to diversify our insolvency practice while also expanding our business litigation and real estate transactions practices. We also wanted to have a Los Angeles presence because about half of our cases are in L.A. Finally, we needed lower overhead to give us more flexibility with our fee structure and rates. The naming of the firm has caused some levity (let's just say I had to add a hyphen to my last name to prevent "Ekvall" from dropping off) but hey—having a memorable name worked for MoFo. We started with one administrative assistant. Evan Smiley's wife was going to come answer phones for us the first few days but our phone lines were not installed yet, so we all had to use our cell phones.

We're still in survival mode, but our goal is to continue to have a team environment where each and every one of us has the resources and support to reach our full potentials as legal professionals and as individuals. We are able to excel as attorneys because we bring such diverse strengths to bear. We are not formula-driven, although we acknowledge everyone's contributions to each team. We want to maintain a positive, high-energy environment that will allow us to focus on our clients' needs.

Dean Zipser: I started with three other partners: Tom Umberg, Carole Reagan, and Adina Stowell. Lei Lei mentioned MoFo . . . the four of us had worked together at both Morrison & Foerster and, following that, at Manatt, and were a very close team. Carole and I have worked side-by-side for more than twenty years, and Adina and I for fifteen. Tom and I first met in college (Go Bruins!) and have worked together since he joined MoFo in 1994. Although we enjoyed our tenures with MoFo and Manatt—and continue work on matters with those firms—starting our own firm allowed us to reduce our hourly rates, to have much more flexibility with alternative billing arrangements, and greater freedom regarding the kinds of matters we could accept. We've always staffed our matters leanly, so the clients

would be getting the same team, but at a lower cost.

Having worked together for so many years, we share the same vision. We have been, and intend to remain, a team, and we carry that mindset for everyone in the office. We support each other. We don't track things like source credit. It doesn't matter how the work came in; it matters how the work gets done. We then take that same philosophy with our clients—many of whom we've worked with for decades. And having increased flexibility with alternative billing arrangements allows us to better partner with our clients and diversify our practice.

We started with just one staff person who did everything (and I mean *everything!*) from firm administrative to secretarial to receptionist duties, with some occasional back-up from some family members. Like Lei Lei's firm, my wife came in to help us from time to time. To keep our marriage strong, we soon hired a receptionist. We also now have one more attorney and two paralegals.

Q ■ How did you overcome the financial challenges in starting your own firm?

Louis Knobbe: We were fortunate. Allan Fowler and I went to Union Bank, where we were leasing some space. We explained who we were and what we were going to do, and said we would like to arrange a line of credit. The guy at the bank asked how much we wanted and I just picked a number out of a hat and said \$10,000. (At that time, I had never seen \$10,000 in real money in my life.) The banker said okay. We stopped borrowing money after Jim Bear became managing partner, a position he held until he retired. His idea of fiscal conservatism was different than mine. I guess that is another major difference between our firm and other firms. From day one, we were fairly solvent.

Three years after the firm began, before Jim Bear joined us, we hired Don Martens away from Chevron. Back then, Chevron was like Microsoft is today. Then my partners and I had to figure out how we are going to afford this young lawyer from Chevron. My partners and I had a secret pact (unbeknownst to my wife), that if we had to, we would ask our wives to go back

to work to help pay Don's salary. Hiring Don was probably the smartest single thing I ever did.

Nicole Whyte: We started with a little office on Katella Road in Orange and borrowed a small sum of money from my father-in-law. We couldn't get a bank loan; the bank wanted to see our financials/history and, of course, we didn't have any. We paid him back within five months and never went into our line of credit; not ever. To this day, we run our firm on a cash basis and we maintain our own reserves. This is all thanks to my father-in-law. He helped us set up our books and showed us how to run a good operation.

Dean Zipser: We started with our capital from our prior firm so we didn't have to tap into a line of credit, and continue to operate on a cash basis. We also had a lot of carryover work, so we hit the ground running.

Lei Lei Wang Ekvall: There are some fairly substantial upfront costs to starting a firm, such as acquiring computers, telephone systems, scanners, printers, branding material, and furniture. For us, our permanent space was not ready so we also had to incur the costs (and downtime) of two moves, one to temporary space and then from our temporary space to our permanent space. In addition, during the first few months to a year of any new firm, there is a lag period between doing the work and getting paid. We had to be sure there would be funds available to pay our people and for our operating expenses.

Fortunately, Evan loves to work with numbers and had dozens and dozens of projections for our start-up budget and cash flow during the first couple of years. Based on the projections, we each put some money in and were able to obtain a line of credit, even though we were a new entity. To mitigate the cash flow lags, we input our time on a daily basis and send out invoices within the first couple of days of each month. We are also proactive about following up with clients regarding payment. Talking to clients about getting invoices paid can be rather uncomfortable but, luckily, our clients have been very supportive of our venture. It turns out that Evan's projections were very accurate, and

we were able to repay the line after three months. Our goal is to continue to operate on a cash-basis.

Q ■ Did your practice areas and focus change over time?

Louis Knobbe: No. We focused on being the best we could in our limited specialty.

Nicole Whyte: Yes. We now consider ourselves a full-service law firm, handling everything except for bankruptcy. We even do a little bit of white-collar criminal defense. Our core business in the beginning was insurance defense litigation, predominantly in the construction defect arena. Our goal was to diversify within the insurance carrier work to break into catastrophic injury, employment, errors and omissions, and every aspect of insurance defense litigation. From there, we began to handle private client work, including corporate and transactional work, and family law. From day one, we wanted to diversify. We were always looking for more insurance carriers to work with and also to expand within each insurance company other areas of practice. So while our practice areas have changed over time, our focus on diversification has not.

Q ■ What are some keys to your firm's success?

Don Martens: Our philosophy has always been to hire the best people available. While some firms hold annual or bi-annual partner meetings, ours is on the same date every month in the Orange County office with other offices participating by video conference.

We have always had a very open and democratic managing process with a clear path for partners to grow in the partnership. It has worked for us. We have grown to over 250 attorneys without any group of partners ever breaking off to form a new firm or to join an existing one.

Nicole Whyte: I can attest to the importance of the partnership meetings at Knobbe. My husband, Steve, managing partner at Knobbe, has had to fly home

early from vacation to make sure he did not miss a meeting.

I attribute much of the credit of our firm's success to Keith. He has the "gift of the gab;" he can speak to someone and he'll get a case. His goal is to make every client feel like they are the most important person on earth, and when they give you a case, turn it around, acknowledge it, and move on it. He and I have had an excellent balance in our partnership and have complemented one another from the beginning.

Lei Lei Wang Ekvall: My partner, Evan Smiley, is a lot like Keith. We always joke that instead of six degrees of Kevin Bacon, it should be six degrees of Evan Smiley. He can get a case by going to a funeral or the grocery store. He really likes and cares about people; as a result, people (including clients) are naturally drawn to him. But every one of my partners is a superstar and a leader. I definitely think it is the unique personality and talent mix of our all-star team that is the key to success. And, I'm proud to say, in our first six months, every partner has originated a client matter.

Dean Zipser: We also have a great team. We each complement each other, and can effectively utilize everyone's unique strengths. I feel so blessed every day to be associated with such an amazing group of people. The end result is a positive, supportive work environment, and a unified and focused client effort.

Q ■ What are some of the changes you have observed with respect to the legal profession and our Bar Association over the years?

Don Martens: Back in the 1960s, there were fewer than 500 lawyers in Orange County and most of them would attend monthly Bar Association meetings. It really troubles me that Bar Association participation and involvement is not what it used to be. I think there is one difference that may be the cause of decreased Bar Association involvement—the increase in the number of large, diverse firms. It used to be lots of smaller firms with specialized practices so the OCBA was a good place to refer clients and receive referrals. Today, there is less referral from law firm to law firm. And maybe if there are thousands of

attorneys, there is less community feeling.

Dean Zipser: I'm also troubled by the drop-off in Bar Association participation. There's such a pressure on junior lawyers to meet their billable hours so Bar Association and related professional activities suffer. I think the OCBA has done a great job of staying relevant to its members, and helps to instill a sense of commitment and involvement with programs like the mentoring committee.

Nicole Whyte: I agree; the biggest challenge has been a decrease in the legal community involvement. I am constantly encouraging our new and not-so-new attorneys to get involved in the bar at every level.

Lei Lei Wang Ekvall: There is also less personal connectivity even for those who are involved in the OCBA because we participate in meetings by telephone and have discussions via email. I love to text as much as the next person but the price is less connectivity. Also, I think more attorney parents (mothers *and* fathers) are expected to, and want to, have more active involvement in the lives of their children. This, combined with long hours, may be part of the reason there is less involvement in bar activities. If there can be more events that include children, the bar may reach a segment of our membership that has not been very active. I know that when we had an Orange County Bar Association ski trip to Beaver Creek a few years ago, we had a number of inactive members participate because they were able to bring their families.

Q ■ So where does this leave us, and what are some keys to starting your own firm today?

As echoed by Louis, Don, and Nicole, the key starting point is to team up with the right people. To be successful, you must share the same values and goals. That is no more evident than when you are just starting out. There are so many things that need to be done; thus, everyone must contribute, be on the same page, and trust in each other's judgment.

Starting your own firm involves a seemingly endless, and very time-consuming, number of tasks, such as finding and

furnishing space, selecting and setting up all of the IT (computers, phones, scanners, copiers, printers and the like), establishing a payroll system, accounts with attorney services, courier and overnight mail services, and e-filing services, and all marketing-related matters such as a website and other branding material, announcements, business cards, and e-stationery, and on and on and on. Yet, while overwhelming at first, the end result is one of great satisfaction when it all comes together.

Certainly another key is technology. It is the great equalizer, and an area where you should not scrimp. With state-of-the-art technology, small firms can compete effectively with firms many times their size. Another key component these days is a firm's website. That's often the first point of contact, so it's important to get it up and running.

In the end, and looking back over the past fifty years, despite dramatic changes in technology and increased urbanization, those who start their own firms face similar challenges to those faced in the past. The legal market has expanded, businesses have multiplied, but the key to success remains assigning people and using resources wisely to best serve clients. As the old adage states: the more things change, the more they stay the same.



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