

Opinion

It's time for change in legal profession

Recent economic events have resulted in fundamental changes in the way business is done. Virtually every company keeps an eye on the bottom line, and they expect their vendors to do the same. Long-standing business relationships that were thought to be safe and secure have been lost to less expensive competitors.

Lawyers, it turns out, are not immune from such pressure, even though change has come more slowly into the legal profession. But the time for change has come, and in-house counsel are taking this message to law firms large and small, all across America.

For many years, outside counsel operated with virtually unlimited budgets, under relatively loose oversight by in-house counsel. Larger firms had an advantage, as they provided virtually perfect work product in the shortest time possible. In today's economy, it turns out that corporate clients are, in most instances, willing to accept work that is good, not necessarily great, in a somewhat longer turnaround, if that means the cost can be controlled. Unless it is a bet-the-ranch matter, legal work is currently viewed as a commodity, which can be obtained from the firm that offers the best service at the best price.

Several recent factors have converged to challenge the traditional law firm rela-

tionship with in-house counsel, and with it, the traditional law firm business model. From the law firm's perspective, the need for profit created a pricey problem: To attract new recruits, salaries became unsustainably high (\$150,000 or more for attorneys fresh from law school), and in order for law firms to thrive, each of those new associates had to bill half a million

dollars or more per year. From the corporation's perspective, economic pressures have made the legal department accountable for costs as well as results. In-house counsel must live within a budget. Their perception within their company, and even their continued employment, may depend upon how much the legal department spends, and the results obtained.

In 2008, the national organization of in-house counsel, the Association of Corporate Counsel, formulated a set of guidelines to improve the billing and representation process by outside law firms, the ACC "Value Challenge." On May 15, Virginia Wadworth, a member of the board of directors of the Georgia chapter of the ACC, and Michelle Meiselman, chair of Atlanta Bar Association Corporate Counsel section, met in Atlanta with a group of law firms to explore this new approach to representing the corporate client. Lawyers from 25 states, as well as Europe and Canada, heard this mes-

sage and discussed how best to address these concerns. The members of this lawyer group, Legal Netlink Alliance, consist primarily of small to midsized firms. In many instances, these firms are already practicing law with a "bottom-line" approach. Some use a Web portal so that clients can access a virtual data room, for no-cost updates and status reports. Some firms have established monthly budgets in advance, with a computer tracking system that notifies the attorney and client if the budget is exceeded. It turns out there are a number of ways that law firms can "value engineer" their work, once they are asked to do so.

The practice of law can no longer be separated from the business objectives — and constraints — of the corporate client. Large and small firms alike will have to manage legal projects with an eye to their cost, their value, and their place in the business goals of their client. What this means for the future is not yet clear. It may mean a year or two of non-billing apprenticeship by law school graduates, a process that is already the rule in many parts of Europe. It may mean more flat-rate or project-based billing, or increasing use of technology. It clearly does mean outside counsel getting together with in-house counsel to learn one another's concerns, and how to address them.

Schulten is managing partner of Schulten Ward & Turner LLP, the Atlanta representative of Legal Netlink Alliance.



VIEWPOINT
Scott Schulten

Loudermilk sells stock to pay off debt

Continued from 1A

stock sales reduced his ownership of class A voting stock by 6 percent.

The common stock sales come as Aaron's common shares (NYSE: AAN) are flying high.

The rent-to-own company's common shares have jumped 66 percent since Jan. 1, 2008, from \$18.81 per share to well above \$31 per share as of press time May 27. Aaron's is one of the few Georgia companies whose stock has appreciated amidst the worst bear market in decades.

Loudermilk isn't alone in selling Aaron's shares. During the last year, Aaron's directors and executives executed 41 transactions involving company stock, according to SEC filings. Forty of those were stock sales.

Loudermilk's share sales are driven by the historic economic climate, he told Atlanta Business Chronicle. The newfound cash is being used exclusively to repay the outstanding loans on apartment complexes, parking lots and other real estate ventures he owns throughout Atlanta.

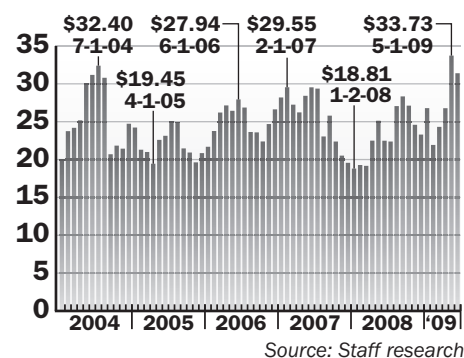
"Every dollar is going into real estate, paying off outstanding debt," Loudermilk said.

The push to repay the debt, he said, is driven by his desire to hold on to what he considers "prime" real estate sites that currently aren't generating any income, and — with values that collapsed along with real estate citywide — he would be unable to resell at a profit.

"I just don't like debt," said Loudermilk, who noted he owns each of his homes debt-free. "I'm not comfortable with it and

Stable stocks

Aaron's stock has appreciated in spite of the current recession.



I just don't know what will happen next, but we believe these properties can be profitable long-term."

Loudermilk plans to repay two-thirds of the total debt on properties he owns throughout the city.

He did not disclose the precise amount that will be ultimately be repaid.

One specific property whose debt will be repaid will be the Roxy Theatre in Buckhead, Loudermilk said.

Loudermilk and his son, Aaron's CEO Robin Loudermilk, re-acquired the theater from **Novare Group Holdings LLC** in March 2008 for \$8 million.

Loudermilk said \$3 million will be used to complete the renovations of the theater, and an additional \$8 million to \$9 million will be used to repay the debt for that site and the adjacent parking lot, also owned by the family.

Property records indicate Loudermilk has a \$6 million loan maturing in March 2010 on the theater.

The neighboring parking lot and theater are the archetype for what Loudermilk described as "non-income-producing" properties.

Initially, Loudermilk planned to build a 15- to 18-story, 270-room hotel on the site, after purchasing the site back from Novare Group early last year.

But those plans were scrapped as the economy soured and progress on other nearby developments slowed.

Loudermilk is quick to defend his stock sales, saying they are unrelated to his belief in the short- and long-term success of the company he founded in 1962.

"I know how this looks to outsiders," he said. "I wish I could keep it all, no question. But I'm not blowing it on boats or new houses or something like that. I'm putting it into assets."

The debt repayment has come with a cost for Loudermilk.

Though still the largest Aaron's shareholder, controlling 57 percent of the company's class A common shares, which have voting rights, the stock sale represented a 6 percent dip in Loudermilk's ownership of the company.

He now controls 4.7 million shares of class A common stock, and 249,000 shares of non-voting common stock.

He hasn't ruled out further sales. "If I own 5 percent of the company's stock and still hold all of the real estate we've acquired at the end of this [down-turn], I'd tell you I'd be happy with that," Loudermilk said.

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