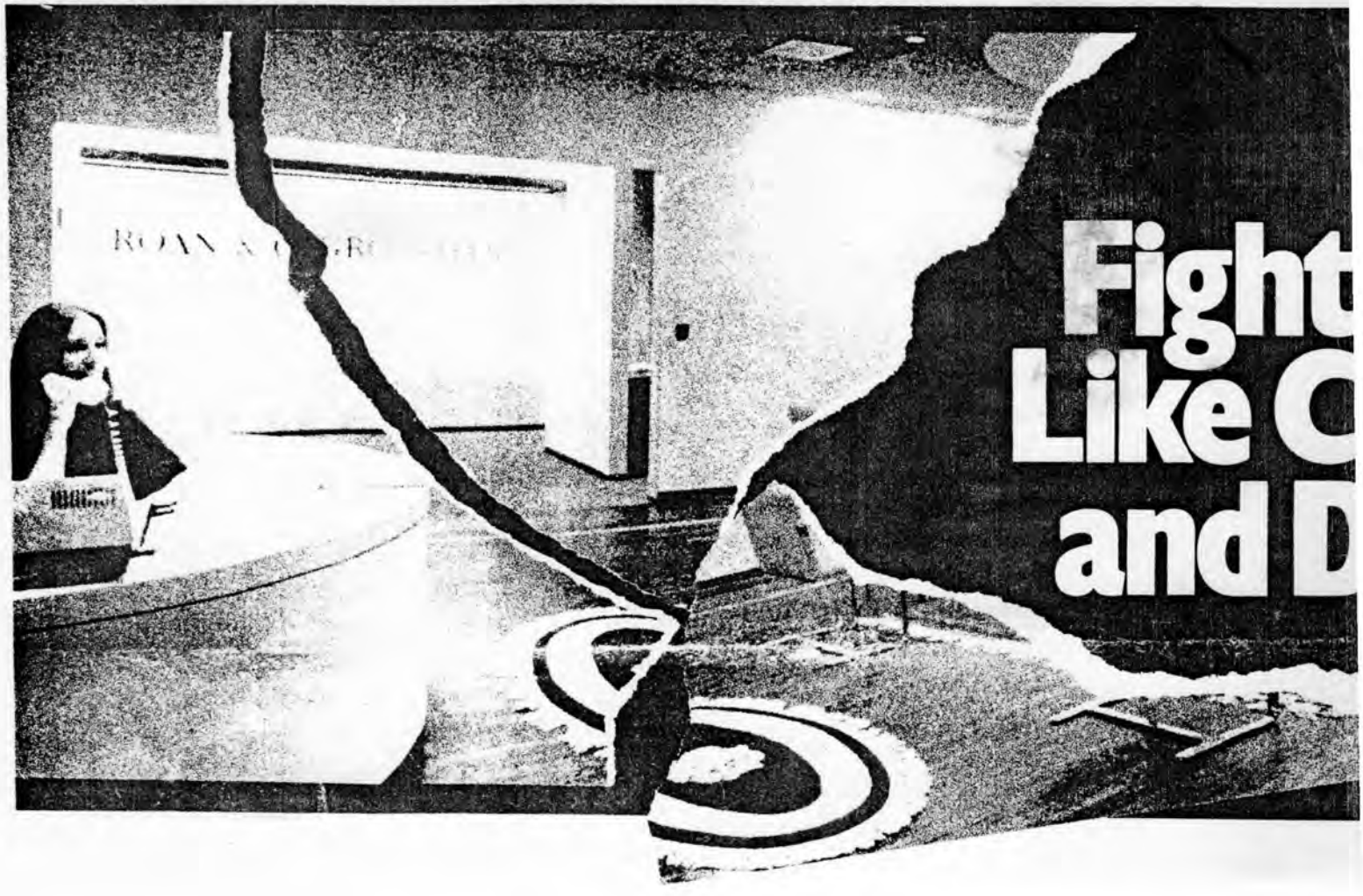
Chicago Lawyer

: 8 Number 1 An Independent Monthly January 1
1984

HE ROAN & GROSSMAN WAR



The gingham dog went "Bow-wow-wow!"
And the calico cat replied "Mee-ow!"
The air was littered, an hour or so,
With bits of gingham and calico.

—Eugene Field, *The Duel*

By Rob Warden

Like the gingham dog and calico cat, lawyers who once practiced at a small firm known as Roan & Grossman are clawing at one another — and the air around the Circuit Court is littered with charges of the foulest sort.

The pleadings are flying like bits of gingham and calico.

Roan & Grossman, which sprawled across a whole $250,000-a-year floor in the Xerox Center, fell apart a year and a half ago after the departure of a premier biller, Richard L. Wexler.

The firm had 19 partners. Make that *alleged* partners — because a group of them, including Wexler, deny they were partners. They admittedly practiced law for a few months out of a sparkling suite of offices in the Xerox Center, and the name on the door was Roan & Grossman. But they say they were lured there by intentional or reckless omissions of material facts about the financial prospects of the "purported partnership," which they consequently do not recognize.

A group of admitted partners has countercharged that Wexler, in wanton disregard for his fiduciary duties to the partnership, tortiously interfered with its business relationships, omitted material facts, and converted unto himself clients and fees rightfully belonging to other partners.

The demise left debts of more than $1 million, and there has been no final accounting, which has resulted in the Circuit Court litigation.

The pleadings reveal the depth of disdain of each side for the other. The firm is dead, but the rhetoric sounds more like a divorce than a funeral. Each side wants the other to pay all or part of the debts of a union now asunder, plus damages.

As the case seems to sink ever deeper into a discovery quagmire presided over by Chancery Judge Albert S. Porter, interest adds hundreds of dollars a day to the debt.

The story of how Roan & Grossman came to this acrimonious end is emerging piecemeal, and with the natural biases of its authors, in the steadily growing Circuit Court file.

By way of background, the firm was founded in 1970 by three young lawyers from the firm now known as Ross & Hardies and a fourth who had been with Schiff Hardin & Waite. Two of the founders had clerked for U.S. District Court Judge Hubert L. Will — Robert Grossman, formerly of Schiff, and William S. Singer, the young anti-Machine alderman of the 43d Ward. The others were Fred A. Mauck, later state insurance director in the Walker administration, and Jared Kaplan, who was nationally active in the Ripon Society. The firm was known as Grossman Singer Mauck & Kaplan.

In 1971, a more experienced Ross & Hardies partner, Frank J. Roan, joined the firm, and it became known as Roan Grossman Singer Mauck & Kaplan. Singer dropped out of the firm to challenge Richard J. Daley in the 1975 Democratic primary. With Mauck also gone, the firm shortened its name to Roan & Grossman.

The firm had the right stuff. The principals' undergraduate and law degrees were from such places as Amherst, Dartmouth, and Harvard. They contributed to law reviews on issues ranging from probate, to free press-fair trial, to corporate acquisitions. And the firm was a financial success. It had eight or nine partners and a half dozen associates, affordable quarters at 120 S. La Salle Street, and such clients as the American Hospital Association and National Union Insurance Company.

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ROAN & GROSSMAN

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But the partners were bullish, and anxious to grow — in retrospect, perhaps too bullish and too anxious.

In 1981, the firm leased the entire eighth floor of the Xerox Center, one of the most prestigious and expensive addresses in town. Soon after the move, a major client, the American Hospital Association, took much of its legal work in house.

This meant that growth was no longer optional for Roan & Grossman. It was necessary — to meet the overhead. Thus, in July 1982, Roan & Grossman began merger talks with a law firm that specialized in real estate services, Wexler Siegel & Shaw, named after Richard Wexler, Howard J. Siegel, and David L. Shaw. The talks culminated in a merger and the formation of a new partnership, or "purported partnership," under the Roan & Grossman name on January 1, 1983. This partnership assumed debts of the Wexler firm.

Who said what to whom during the negotiations is now much in dispute in the various claims and counterclaims pending in the case known as *Frank J. Roan* v. *Roan & Grossman*.

According to the Wexler group, members of the Roan group claimed to have substantial receivables that they knew were uncollectable and had in fact decided to write off; overstated the amount and value of their work in process; failed to disclose that some dissatisfied clients had threatened to assert claims against the firm; and showed the Wexler group financial statements indicating that Roan & Grossman's assets exceeded its liabilities when the opposite was true.

According to the Roan group, however, the Wexler group was well aware of the problems and needs of Roan & Grossman, and Wexler personally knew that it would take at least a year for the new partnership to work out operational problems and become financially viable. If Wexler had not committed his undivided loyalty and energy to Roan & Grossman, then there would not have been a merger, according to the Roan group.

Thus, it is alleged, Wexler betrayed the trust that the Roan group reposed in him by secretly committing himself, at some point between September 1982 and June 1983, to become a member of another law firm, Sachnoff Weaver & Rubenstein.

While Wexler was secretly planning his departure, according to the Roan group, he continued to have Roan & Grossman pay the former Wexler firm's debts and accepted "partner draws" predicated partly upon anticipated future services. He also allegedly encouraged members of the Roan group to introduce him to their clients, whose trust he gained and some of whom he converted into his own clients.

Amid the nasty accusations, the urgent issue of winding up the partnership's affairs has been sidetracked.

When members of the Roan group initiated the litigation last March, they sought an accounting and the appointment of a receiver. Their petition, prepared by Altheimer & Gray, claimed that the partnership had assets of more than $1 million, principally accounts receivable. When the partnership ceased business, said the petition, each partner was responsible for collecting sums due from his or her clients and remitting these sums to the partnership to satisfy liabilities. However, certain unspecified partners failed to collect or remit many receivables and, consequently, debts remained, according to the petition.

Wexler and five allies, represented by Holleb & Coff, responded in June with an answer denying that they were ever partners in Roan & Grossman and a counterclaim alleging that the Roan group had fraudulently induced them to disband Wexler Siegel & Shaw in 1982 and make capital contributions totalling $250,000 to the new Roan & Grossman partnership. The counterclaim sought a declaratory judgment that members of the Wexler group were indemnified against claims for Roan & Grossman liabilities, reimbursement of their capital contributions, and $750,000 in punitive damages.

In August, the Roan group responded with an answer, prepared by Levy and Erens, denying all allegations of wrongdoing and a counterclaim of their own, containing the aforementioned allegations against Wexler, and seeking millions of dollars in actual damages and millions more in punitive damages.

In October, the Wexler group filed an answer denying all of the Roan group's allegations of wrongdoing.

MEMO

TO: WHC

FROM: SLR

DATE: July 12, 1984

RE: Frank Roan, et al v. Roan & Grossman
Court No. 84 CH 2509
(Judge Porter, presiding - rm. 2002)

No receiver has yet been appointed. The only things which have occurred to date are the filing of the verified petition, appearances and answers, and a substitution of attorneys for the plaintiffs:

1. Verified petition.

Filed 3/16/84. Claims that withdrawal of Richard Wexler from the partnership resulted in a dissolution. At that time, both assets and liabilities exceeded $1,000,000.00. Each (defendant) partner was assigned various accounts receivable to collect. On information and belief, "certain of the respondents" /sic/ failed to account for and turn over amounts so collected. Further, partners unable to agree upon an accounting and wind-up. Requests appointment of Howard Shapiro (of Oppenheim, Appel, Dixon & Co., cpa's) as receiver.

2. Answer and counterclaim of Bruce H. Balonick, Charles H. Braun, Ilene D. Davidson, David L. Shaw, Stuart Smith and Richard L. Wexler.

Filed 6/29/84. Deny that any of them were partners in R&G. Insufficient information as to extent of assets and liabilities. Deny all other allegations.

Counterclaim: Alleges that Wexler, Siegal & Shaw, Ltd. had valuable assets and offered "highest quality" legal services at the time it was approached by R&G re a merger. An oral agreement for merger was entered into. Pursuant thereto, Wexler, et al contributed assets in excess of $250,000.00. R&G wrongfully misrepresented its work-in-process as based on historical experience and knowledge, and to be billed in the ordinary course of business. In fact, the work-in-process figures were inflated and greater than what R&G had historically charged for similar work; a substantial portion was old and uncollectable; a substantial portion had previously been earmarked as write-offs; and a substantial portion related to clients who were or threatened to assert claims against R&G regarding the services R&G had rendered. R&G similarly misrepresented its accounts receivables.

R&G also misrepresented that it had a good, on-going relationship with certain clients, including the American Hospital Association and National Union Insurance Company, when in fact those client relationships no longer existed or had deteriorated. Further, R&G agreed not to enter into any contracts before January 1, 1983 (the merger date), but in fact exercised an option on a lease which resulted in rental payments "substantially in excess of $2,500,000.00." R&G also charged with failure to truthfully represent R&G's financial condition.

R&G did not disclose true conditions until after the January 1, 1983 merger. As soon thereafter as "practicable and consistent with their professional obligations to clients", counter-plaintiffs ceased practicing law as "purported" partners in R&G. For the foregoing reasons and by operation of law, counter-plaintiffs never became partners in R&G.

Claim damages as follows: value of services rendered during their time with R&G, dimunition in value of Wexler, et al stock, and loss of income, prospective business and good will.

Affirmative defenses: all incorporate the counter-claim by reference. Defense 1: failure to state a claim upon which relief may be granted. Defense 2: not entitled to relief. Defense 3: unclean hands. Defense 4: Plaintiffs, alone and in concert with others, appropriated R&G assets, including good will, and turned them over to a professional corporation.

3. Answer of Dennis Waldon.

Admits all the allegations of the complaint and prays for the entry of an order granting the relief requested.

4. Attorneys of record:

Plaintiffs	Barry J. Freeman 2300 Three First National Plaza Chicago, IL 444-1000 (substituted in on 7/3/84; plaintiffs previously represented by Altheimer & Gray)
Defendant Howard J. Siegel	Collins, Amos & Uscian One North LaSalle Chicago, IL Fr2-7813

Defendants	
David W. Andich	Pro se
Steven B. Belgrade	Pro se But also: Isham, Lincoln & Beale Three First National Plaza Chicago, IL 558-7500
Defendants	
Bruce H. Balonick Charles H. Braun Ilene D. Davidson David L. Shaw Stuart Smith Richard Wexler	Holleb & Coff, Ltd. One IBM Plaza Suite 4040 Chicago, IL 60611 822-9060
Defendant	
David Waldon	Pro se