

LegalZoom Files for IPO, Plans to Expand Reach

ONLINE: Valley law firms weigh possible impact of Glendale company's growth.

By **ANGELA C. ALLEN** Staff Reporter

LegalZoom, a Glendale-based online legal services provider serving consumers and small businesses, recently announced plans to raise as much as \$120 million through an initial public offering of common stock.

In its May 11 filing with the U.S. Securities and Exchange Commission, the company said the money is slated for capital expenditures and will fund an expansion of its subscription legal plans, online legal document service and attorney network.

The company did not say how many shares it would be offering or give an expected share price. It said it plans to list its shares on the New York Stock Exchange under the ticker LGZ. A LegalZoom spokesperson declined to comment further.

LegalZoom listed revenue of \$156 million in its public filing. It said it has served about two million customers over the past decade and as of Dec. 31, 2011, employed 457 full-time and part-time workers and 60 temporary workers.

The company, founded in 2001, is best known for offering consumers and small businesses online legal document services at fixed-prices — a do-it-yourself business model that has fundamentally changed the legal industry by enabling the masses to bypass attorneys. Services range from \$69 for wills, \$99 for business incorporations and \$169 for trademark registrations. Subscription plans are available in 40 states and the District of Columbia.

Robert Freedman of Tharpe & Howell LLP, one of the largest firms in the Valley with 52 attorneys and 80 employees, said the growth of LegalZoom represents a danger to consumers because the company doesn't offer the legal protections available under the traditional attorney-client relationship.

Freedman said self-help legal service providers such as LegalZoom presume that

users have analyzed the issues, developed their own legal strategies and understand the consequences of what they are doing. "We have this tradition of an attorney-client relationship that is very sacrosanct," Freedman said. "The self-help legal services are really blurring that line."

Self-help legal services started by providing forms, but now they're attempting to enter the business of offering legal advice, while at the same time are avoiding its liabilities with disclaimers, he said.

Some Valley area attorneys say LegalZoom's planned expansion may lead to additional business as more consumers and businesses attempt to do their own legal work and then discover mistakes after the fact.

"In some situations, Legal Zoom might be fantastic, because the person only has a home and a bank account; but in most situations clients have a lot of different types of assets," said tax and estate planning specialist **Kira S. Masteller** of Encino-based law firm **Lewitt, Hackman, Shapiro, Marshall & Harlan**.

If filings are not handled properly, "the effect of the use of those pre-fab forms is that

we get a lot more business... but we have to do twice as much work to clean up the improperly created documents," Masteller said.

Northridge-based attorney **Alan Kassin** said it's unlikely that larger firms will be negatively affected by the online giant's expansion. However, smaller shops may take a hit.

"It'll certainly eat into some of the business of local lawyers that specialize in things that overlap with LegalZoom — the family law area, wills and trusts, basic business," said Kassin of **Kantor & Kantor LLP**.

North Hills attorney **Darrell Harriman**, a sole practitioner for 32 years, said he's lost business to LegalZoom and doesn't try to compete with the behemoth.

Harriman, who offers general legal services, estate planning and probate law, said a few clients have chosen LegalZoom strictly for financial reasons.

He compares the LegalZoom client to someone who's a do-it-yourself plumber.

They may be saving on paying for the labor, he said, but they "have to put up with the leaky pipes."