

How The Rise of Family Offices Could Boost Your PE Practice

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Howard M. Berkower

Wealthy families have long been among the primary contributors of capital to private equity funds, but a rising tide of family offices with interest in direct investing presents attorneys with an attractive list of potential clients that will need advisers with PE experience.

If you dig into the rules of the U.S. Securities and Exchange Commission, there is actually a provision under which family offices are exempt from having to register as investment advisers, so long as they have no clients other than family members and are solely using their own personal wealth to make investments. It can be easier for family offices using the exemption to deploy their money via investment, and the load of a lawyer assisting that office would be lighter than if they were responsible for all the legal paperwork required for registered investment advisers.

"That's attractive to family offices, because it allows them to maintain a sort of 'regulatory light,'" explained Howard Berkower, a corporate partner with McCarter & English LLP. "The thinking is that it's their money, and they are beyond qualified purchasers, so why should the SEC be concerned about how they invest?"

In today's investment world, there are many wealthy families out there with cash ready to spend, and opportunistic attorneys would be smart to use their connections to get some face time with family offices in order to see whether there might be legal work to land.

One way attorneys can secure such clients is by building strong relationships with any clients that run family-owned businesses, Berkower said. Once these privately-owned businesses hold their liquidity event, which can oftentimes involve a sale to a private equity firm, the principal family members have cash to spend. And even though they've sold their longtime business, that doesn't mean they've lost interest in finding ways to put their money to work.

"They have this in their blood," Berkower said. "Why do Mick Jagger and Keith Richards still tour? Because that's what they do. These people build businesses."